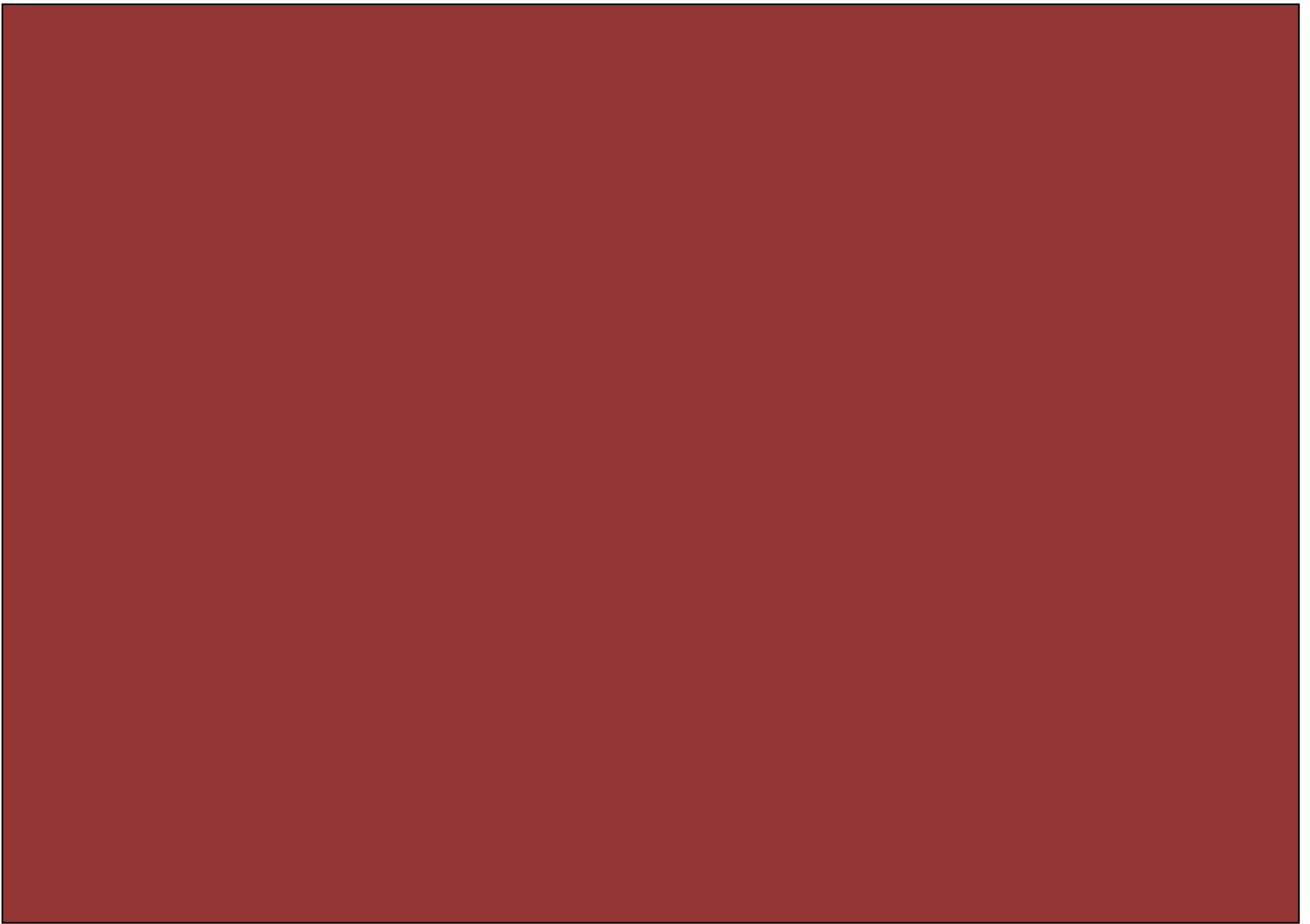




**Joint Evaluation of the Paris Declaration, Phase 2
Final Report**

Indonesia



Executive Summary

Relevance of Paris Declaration

- Indonesia's development situation and context is as such that it demands more funding than what the country could provide by itself, more expertise and trained manpower than what it currently possesses, as well as better management of resources and programs than what is currently taking place. On the other hand, there are still programs that are implemented without sufficient involvement of the government (lack of ownership), lacking of transfer of knowledge, and only accountable to their own government.

Natural (tsunami and earthquake) and man-made (flood and landslides) disasters clearly place pressure to allocation of resources for development activities. The government has to balance between sustaining development activities and redirecting funds to help disaster victims. Eradication of corruption adds another challenge to ensure development funds are not drained out. Although financial management of the government improved from disclaimer in 2004 to qualified opinion in 2009, index of corruption remains low.

All facts above potentially divert limited development funds allocated by the government. Combination with yearly budget deficit and financing gap as reported by UNDP and UNFPA, aid could be considered as a source of funds for the government to sustain development activities. Effective aid management is also paramount in ensuring that the country does not fall into a "perish" country because of debt. Coupled with slow achievement of MDGs, the government needs to manage all resources available, foreign aid included in ensuring that development programs are designed and implemented effectively. It is simply obvious that the Paris Declaration has significant relevance to the Indonesian context.

Implementation of Paris Declaration

- **Ownership.** Thanks to a group of relevant high ranking officers and their respective staff in Bappenas and MoF ownership has progressed positively at varying degrees. This enthusiasm, however, has not necessarily been fully shared by most other ministries.

The government's ownership is shown by clear RPJMN in its direction for development. The process of civil society participation in development activities has improved, since people of Indonesia enjoy their democratic environment.

The signing of the Jakarta Commitment and active participation in the working group under A4DES activities shows development partners' commitment to advancing government ownership.

- **Alignment.** The alignment principal to some extent has been enhanced and accelerated through the establishment of A4DES. Some development partners responded positively by participating and supporting several activities of the working groups. While the process of strengthening local systems and procedures continues, several major development partners have adjusted their policy to allow using local systems and procedures.

Under current situation, the government feels that unlike multi-laterals most bilateral aids still have ties with certain conditions. There has also been an opinion among the government officers that they possess less power during negotiation which does not reflect equal partnership. Some development partners place conditions in the agreement, because they are accountable to their stakeholders and expect to have quality aid.

- **Harmonization.** Harmonization is another hard principle to implement. Every development partner has its own mission to carry out, and it may significantly differ with others. Having such challenge, the current quality of harmonization could be considered as significant achievement.

Several development partners have shown their commitment and take actions to work in collaboration among their peers at program level. The government's leadership quality in coordination has improved according to some development partners. Still, the government has not been proactive enough in leading strategic coordination and thereby used development partners' comparative advantages.

- **Development results.** Collaborative management of the monitoring and evaluation aspect of development results has not moved as expected. The government still focuses more on evaluating achievement of sector which takes place yearly. Development partner tends to evaluate their development programs (i.e. grant) against the programs' defined targets. In particular, monitoring of bilateral off-budget programs has been fully program focused and managed directly by the respective implementing agencies.

A recent joint M&E between MoNE and the World Bank could serve as an appropriate sample of an improved collaborative work between the government and development partners. Both parties have developed and agreed upon a common set of development results - outputs and outcomes of BOS Program that contribute to education sector goals. Another sample is collaboration

between the government and JICA in conducting several joint monitoring and evaluation of Japan ODA funded project in Indonesia.

- **Accountability.** By law, the national and local parliaments have been given the authority to approve and disapprove the annual national as well as regional budgets. Civil society organizations have been active in monitoring the utilization of funds and evaluate development performance against the agreed targets.

The government has jointly carried out monitoring of loan performance with development partner, which helps the government to present comprehensive budget reports to community and other stake holders. As part of improving accountability, BPK and BPKP are active in conducting development program audits. Under several aid agreements, audit of BPKP is added as an obligation for the government.

The many changes in government rules and regulations aimed at reducing misuse of development funds, both government and development partners' that have been introduced and put into effect have reportedly demonstrated effects that indicate the reduction of corruptive practices.

Contribution of Paris Declaration to Aid Effectiveness and Development Results

- The Paris Declaration has obviously raised awareness among groups in the government and development partners of the importance of aid effectiveness. It places a foundation for the government and development partners for collaboratively pursue further to accomplish aid effectiveness and development results. There is clear indication of direct contribution of the Paris Declaration, provided the principles are integrated into a nation wide program.
- When integrated into national development efforts like the MDGs, Paris Declaration will have a significant and long term contribution on aid effectiveness.
- Despite relatively small proportion of aid in the national development program budget, aid has helped the Government of Indonesia continuously allocating appropriate quantity and quality of resources.

Effect of Paris Declaration Implementation

- **Management practices.** There have been some effects of Paris Declaration on ODA loan management. The government has managed loan better. The mechanism facilitates the government to have multi-year loan commitment from development partner and to predict amount of aid in a particular period of development.

Further in betterment of aid management, the government arranges a regular coordination monitoring on performance of loan with technical ministries involving development partner, Central Bank, BPKP and MoF. Such aid coordination allows the government minimizing risks of poor performance of loan absorption.

Unfortunately, many grants have been operated with less compliance to Paris Declaration. The Government of Indonesia is very concern on such mode of operation, partly because of poor coordination among the government and development partner. The government and development partner require additional resources to rearrange such grant mode of operation. A new mode of cooperation has to be defined jointly by the government and development partner to response the government's concern or assessing an existing mode of cooperation, such as KHPPIA and adjust to accommodate different interests as necessary.

- **Policy reforms.** Policy reform tends to sustain, since there are still gaps between local systems and procedures with the international. For example: gaps on fiduciary systems and demand for better public financial management. This sustain policy reform is obviously adding burden to the government.

Key Implications

- As explained previously, aligning procurement systems appears as a tough target. It requires significant amount of resources to achieve and involvement of high level decision makers at Headquarters level. Target under Paris Declaration is hard to achieve, unless there is a political will from development partner to adopt local systems and procedures.
- The government and development partner may face burden on allocating appropriate resources. Coordination takes two to work. For example: Accountable to public requires constant flow of information from development partner on aid disbursement to the government, which requires a significant amount of resources. On the other hand, the government needs to allocate enough resources to manage and organize the information from development partner. Staff needs to balance between implementing and monitoring program

implementation for good results and managing information to show accountability.

- Indonesia is prone to natural and man-made disasters that affect people's lives severely. Climate changes may also have similar effect to people's lives. Together they will definitely place pressure on the government to judge between development activities and emergency response. Having limited resources, the government will continuously rely on foreign aid to response emergency needs.

Under emergency situation, aid effectiveness may be over looked to respond urgent needs of disaster victims. The government and development partner have to develop and agree on a system applicable for emergency situation in advance if both parties carry on striving for aid effectiveness.

- Paris Declaration implementation needs co-operative efforts and mutual trust between government and development partners. However, this expected behaviour does not exist just like that. Implementation of Paris Declaration nowadays shows an urgent need for more committed staff. Coordination and mutual works will not working without competence staff. A4DES is a good action made by the government with support from several development partners. Still, requirement of competence and dedicated government officer who could intensively supports and provides guidance to the secretariat is paramount.

Recommendations

- **Putting Policies into Practices.** There are many regulations that the government has enacted to ensure national development brings fruitful benefit to the people of Indonesia. RPJMN has placed priority of development and underlining pro-poor, pro-growth, pro-job and pro-environment. However, national budget does not reflect strategic direction that the government placed in its RPJMN. The government is strongly recommended to reform its budgeting approaches allowing more funds allocated to less developed regions or enclaves within better regions, and to sectors that enhance achievement of MDGs. Increased budget allocation also means increased accountability, whereby the government has to place resources to apply results-based monitoring as mandated under the Government Regulation No. 54/2006.
- **Strengthen National Wide Program.** WSSLIC, PNPM and BOS Program are some example of strong national development program within health and education sectors respectively. The three programs suggest that the government and development partners need to work closely in program implementation. Aiming at aid effectiveness, development partners are strongly recommended to

integrate grant funded program into regional or/and national wide program and assist the government implements the program with less assistances.

An exit strategy should be developed and agreed by the government and development partners to put time lines for gradual phase-out of technical assistances and phase-in of the government to continue the program. The exit strategy allows the government to plan allocating sufficient human and financial resources – number of staff working as counterpart, period of involvement to allow carrier development, time for allocating budget as matching funds. It helps development partners in effectively placing its technical assistance and leveraging coverage to wider regions from limited resources.

- **Reducing Number of Development Partner through Harmonization.** More donors and more projects could fragment the recipients' capacity to govern. The statement challenges the Government of Indonesia to choose between having more and less development partner. The government could have more development partners, but coordinate only with few development partners through aid harmonization. The government is recommended to consider harmonizing aid, thus enabling effective use of limited resources at the government side. For example: Development partners with aid below a certain level are encouraged to harmonize its aid and operate in partnership with larger development partner(s).
- **Combining A4DES with KHPPIA Mode.** A4DES and KHPPIA are two cooperation mode which compliance to Paris Declaration. The Government of Indonesia is strongly recommended to take into account the two modes of cooperation as instrument/vehicle in ensuring aid effectiveness is achieved. The Government of Indonesia, as recipient country will benefit from an increase of national program coverage and/or strengthened national program implementation that is accountable to the people of Indonesia. If adopted, the government and each development partner require only (at least) one competence staff to work collaboratively representing each party. Thus, staff draining will be minimized, in particular on the government side.

Foreword

Chairman of National Reference Group

Indonesia is a signatory to the Paris Declaration on Aid Effectiveness and has committed to full implementation of the aid effectiveness principles as expressed in the Paris Declaration. To accelerate reform process and develop a wider partnership in achieving development effectiveness in country, the Government of Indonesia signed the Jakarta Commitment in January 2009. It is followed by establishing the Aid for Development Effectiveness Secretariat (A4DES) as the task force of the Jakarta Commitments to provide supports, facilitation and monitoring of the coordinated activities of the Jakarta Commitments action plan.

The evaluation results show that the Paris Declaration is relevant in the context of Indonesia - in strengthening and accelerating Indonesia aid management for better development result, in small portion. We acknowledge that having slightly slow achievement of MDGs, the government and development partner needs to consider of putting more efforts in ensuring aid allocation and prioritization to strengthen national and regional development program.

We are not particularly surprise to find out that the Paris Declaration has raised awareness among groups in the government and development partners of the importance of aid effectiveness. It also increases interactions between government officials and development partners' experts in their mutual collaborative efforts in better managing development program – comprising planning to monitoring results. More importantly, the Paris Declaration enhances alignment of aid into national development strategy and harmonization among development partners. There have been growing efforts among development partner to work in collaboration for better aid effectiveness. In addition, the Paris Declaration to some extent has some contribution to development results which helps the country achieves its national goals.

The Government of Indonesia is committed to participate in the Survey on Monitoring the Paris Declaration Phase 3, and also the Evaluation of the Paris Declaration Phase 2. The second phase of this evaluation will emphasize outcomes and results and offer answers to the critical policy question of whether the intended long-term effects of the Paris Declaration are being achieved or advanced.

However, limited campaign on Paris Declaration principles in the country contributed for limited awareness among groups in the government and development partners of the importance of aid effectiveness. Having said that, the 2nd phase of Paris Declaration evaluation has alerted the government to take proactive actions toward aid effectiveness. More campaign on the implementation of PD principles is strongly recommended.

We believe, more campaign will increase interactions between government officials and development partners' experts for mutual collaborative efforts in program planning, implementation, monitoring and evaluation which will result in better coordination, alignment, government's ownership and donor harmonization.

Lukita Dinarsyah Tuwo

Vice Minister of National Development
Planning/Vice Chairman of National
Development Planning Agency (BAPPENAS)
as a Chairman of National Reference Group

Acknowledgement

National Evaluation Coordinator

In the implementation of Indonesia's Evaluation of the Paris Declaration Phase 2 requires an independent evaluation to document, analyze, and assess the aid relevance and effectiveness and ultimately to development results, including poverty reduction. The two phases of evaluation were designed to measure the aid effectiveness progress and achievement.

The first phase of the Evaluation take place on March 2007 to September 2008 and aimed at providing information on "HOWs and WHYs" the early implementation process of the Paris Declaration. It was designed and used to deliver practical lessons and support at taking stock of implementation performance for the 3rd High Level Forum on Aid Effectiveness held in Accra, Ghana on September 2008.

While, the second phase of the Evaluation will be gathered at 4th High Level Forum in Korea in 2011. Indonesia did not participate in the first phase of evaluation, but the second phase. The aim of the evaluation is to document, analyze and assess the relevance and effectiveness of the Paris Declaration in Indonesia and its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

To support the 2nd phase evaluation, Indonesia are honored to have the opportunity of joining the evaluation. The country evaluation, was conducted during May to October 2010. It assessed the effective coordination among donors and development partner for alignment, harmonization, ownership, mutual accountability, and better aid managing for development result.

The success of this very important undertaking would not have been realized without the relentless effort and dedication of all parties concerned. To those who actively contributed to this project, I would like to extend my gratitude and appreciation, especially to the National Evaluation Coordinator Support Team and Reference Group, A4DES, National Stakeholders, Donor Agency, Country Evaluation Team, and Julian Gayfer who has provided qualified contribution to the Country report.

Benny Setiawan Kusumo
Director for Utilization of Development Funding
National Development Planning Agency (BAPPENAS)
as a National Evaluation Coordinator

Glossary

A

A4DES	:	<i>Aid for Development Effectiveness Secretariat</i>
AAA	:	<i>Accra Agenda for Action</i>
ADB	:	Bank Pembangunan Asia <i>Asian Development Bank</i> (http://www.adb.org/indonesia/main.asp)
AKBA	:	Angka Kematian Balita <i>Under-five Mortality Rate</i>
AIBEP	:	<i>Australia-Indonesia Basic Education Program</i>
AIDS	:	<i>Acquired Immune Deficiency Syndrome</i>
AIPCS	:	<i>Australia-Indonesia Partnership Country Strategy</i>
AIMS	:	<i>Aid Information Management System</i>
AMI	:	<i>Annual Malaria Incidence</i>
APBN	:	Anggaran Pendapatan dan Belanja Negara <i>State Budget</i>
ART	:	<i>Antiretroviral Therapy</i>
ASEAN	:	<i>Association of Southeast Asian Nations</i>
AusAID	:	<i>Australian Government's overseas aid program</i> (http://www.indo.ausaid.gov.au/)

B

BAPPENAS	:	Badan Perencanaan Pembangunan Nasional <i>National Development Planning Agency</i>
BEC	:	<i>Basic Education Capacity</i>
BI	:	Bank Indonesia <i>Central Bank of Republic of Indonesia</i>
BKPM	:	Badan Koordinasi Penanaman Modal <i>Indonesia Investment Coordinating Board</i>
BKKBN	:	Badan Koordinasi Keluarga Berencana Nasional <i>National Family Planning Coordination Board</i>
BOS	:	Biaya Operasional Sekolah <i>School Operational Cost</i>
BOS-KITA	:	Biaya Operasional Sekolah – <i>Knowledge Improvement for Transparency and Accountability</i>
BPS	:	Badan Pusat Statistik <i>National Statistics Agency</i>
BPK	:	Badan Pemeriksa Keuangan <i>The Audit Board of the Republic of Indonesia</i> (http://www.bpk.go.id/en/)
BPKP	:	Badan Pengawasan Keuangan dan Pembangunan <i>Financial and Development Supervisory Agency</i> (http://www.bpkp.go.id/#)
BRR	:	Badan Rekonstruksi dan Rehabilitasi <i>Reconstruction and Rehabilitation Agency</i>

C

Capacity Building	: <i>Efforts aimed to develop human skills or societal infrastructures within a community or organization needed to reduce the level of risk.</i>
CBKM	: <i>Capacity Building Knowledge Management</i>
CCM	: <i>Country Coordination Mechanism Office</i>
CET	: <i>Country Evaluation Team</i>
CGA	: <i>Country Gender Assessment</i>
CGI	: <i>Consultative Group on Indonesia</i>
CIDA	: <i>Canadian International Development Agency</i>
CMEA	: <i>Coordination Ministry for Economic Affairs</i> Kementerian Koordinator Ekonomi dan Keuangan
CPI	: <i>Compliance Performance Indicator</i>
CSO	: <i>Civil Society Organization</i> Organisasi Masyarakat Madani
CEDAW	: <i>Convention on the Elimination of All Forms of Discrimination against Women</i> Konvensi Penghapusan Diskriminasi terhadap Perempuan
CRC	: <i>Convention on the Rights of the Child</i> Konvensi Hak-hak Anak

D

DAC	: <i>Development Assistance Committee (of OECD)</i>
DAK	: <i>Dana Alokasi Khusus</i> <i>Special Allocation Fund</i>
DAU	: <i>Dana Alokasi Umum</i> <i>General Allocation Fund</i>
Depdagri	: <i>Lihat Kemdagri</i> <i>(see Kemdagri)</i>
Debt swap	: <i>A debt swap or conversion is an arrangement where part of loan repayments in foreign currency is converted into investment in the debtor country in local currency 'at agreed rates, for agreed purposes' (e.g. development programmes) and through agreed procedures. See www.theglobalfund.org/en/innovativefinancing/glossary/ and: http://www.investorwords.com/7815/debt_swap.html</i>
DfID	: <i>Departement for International Development, www.dfid.gov.uk</i>
DIPA	: <i>Daftar Isian Pelaksanaan Anggaran</i> <i>Annual Budget Allocation</i>
DPR	: <i>Dewan Perwakilan Rakyat</i> <i>National Parliament</i>
DPRD	: <i>Dewan Perwakilan Rakyat Daerah</i> <i>Local Parliament</i>
DFM	: <i>Development of Financing Mechanism</i>

E

ECT	: <i>Evaluation Core Team</i>
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ESSP : *Education System Support Program*
ESWG : *Education Sector Working Group*
EU : *European Union*
Uni Eropa

F

FACE : *Funding Authorization of Certificate of Expenditures*
FGD : *Focus Group Discussion*
Diskusi Kelompok Terfokus
FY : *Tahun Fiskal*
Fiscal Year
FTZs : *Free Trade Zones*

G

GAKY : *Gangguan Akibat Kekurangan Yodium*
Iodine Deficiency Disorders
GFATM : *The Global Fund to Fight AIDS, TB and Malaria*
GDP : *Gross Domestic Product*
Produk Domestik Bruto (PDB)
GDI : *Gender-related Development Index*
(GDI), (http://hdr.undp.org/en/statistics/indices/gdi_gem/)
GDI is a measure of agency. It evaluates progress in advancing women's standing in political and economic forums. It examines the extent to which women and men are able to actively participate in economic and political life and take part in decision-making. While the GDI focuses on expansion of capabilities, the GEM is concerned with the use of those capabilities to take advantage of the opportunities of life.
GEM (IPJ) : *Gender Empowerment Measure*
(GEM), (http://hdr.undp.org/en/statistics/indices/gdi_gem/)
GEM measures achievement in the same basic capabilities as the HDI does, but takes note of inequality in achievement between women and men. The methodology used imposes a penalty for inequality, such that the GDI falls when the achievement levels of both women and men in a country go down or when the disparity between their achievements increases. The greater the gender disparity in basic capabilities, the lower a country's GDI compared with its HDI. The GDI is simply the HDI discounted, or adjusted downwards, for gender inequality.
GNP : *Gross National Product*
Produk Nasional Bruto (PNB)
GoI : *Government of Indonesia*
Pemerintah RI
GSSD : *Global South-South Development*
Kerjasama Pembangunan Selatan-Selatan
GTZ : *Deutsche Gesellschaft für Technische Zusammenarbeit (Germany Technical Cooperation Agency)* (<http://www.gtz.de/en/>)
GTI : *(lihat IDJ)*
GAVI : *The Global Alliance for Vaccines and Immunization*
(<http://www.gavialliance.org/>)

H

- HDI (IPM) : *Human Development Index*
Indeks Pembangunan Manusia
- HIV : *Human Immuno Deficiency Virus*
- HSS : *Health Systems Strengthening Program*
- HSP : *Health Services Program*
Program Pelayanan Kesehatan

I

- IDB : *Islamic Development Bank*, www.isdb.org
- IDH Survey : *Indonesia Demography and Health Survey*
Survei Demografi dan Kesehatan Indonesia
- IFAD : *International Fund for Agricultural Development*, www.ifad.org
- IGGI : *Inter-Governmental Group on Indonesia*
- IMF : *International Monetary Fund*
Dana Moneter Internasional
- IMET : *Independent Monitoring and Evaluation Team*
- IMR : *Angka Kematian Bayi*
Infant Mortality Rate
- INDRA : *Indonesian Debt Restructuring Agency*
- INFID : *International NGO Forum on Indonesian Development*
(<http://www.trunity.net/infidjakarta/>)
- ICW : *Indonesian Corruption Watch*
- ILO : *International Labour Organization*

J

- Jamkesmas : *Jaminan Kesehatan Masyarakat*
Public Health Insurance
- JICA : *Japan International Cooperation Agency*
(<http://www.jica.go.jp/indonesia/english/>)
- JPS : *Jaring Pengaman Sosial*
Social Safety Net Programme
- JSS : *Junior Secondary School*
Sekolah Menengah Tingkat Pertama

K

- KEPMEN : *Keputusan Menteri*
Ministerial Decree
- KEPPRES : *Keputusan Presiden*
Presidential Decree
- KHPPIA : *Kelangsungan Hidup, Perkembangan, Perlindungan Ibu dan Anak*,
(<http://khppia.org>)
Survival, Development, Protection of Mother and Child (Government of Indonesia – UNICEF corporation program)

KOICA	:	<i>Korea International Cooperation Agency</i>
KPA	:	Komisi Penanggulangan AIDS <i>National AIDS Commission</i>
KPK	:	Komisi Pemberantasan Korupsi (www.kpk.go.id) <i>Corruption Eradication Commission</i>
KPAI	:	Komisi Perlindungan Anak Indonesia <i>National Commission for Child Protection</i>
KUR	:	Kredit Usaha Rakyat <i>Micro-Credit Funding</i>

M

M&E	:	<i>Monitoring and Evaluation</i>
MCH	:	<i>Maternal and Child Health</i>
MDTF	:	<i>Multi Donor Trust Fund</i>
MDG	:	<i>Millennium Development Goals</i>
MMR	:	<i>Maternal Mortality Rate</i> Angka Kematian Ibu
MMT	:	<i>Methadone Maintenance Treatment</i>
MoF	:	<i>Ministry of Finance (MoF) Republic of Indonesia</i> Kementerian Keuangan R.I. (Kemenkeu)
MoFA	:	<i>Ministry of Foreign Affairs (MoFA) Republic of Indonesia</i> Kementerian Luar Negri R.I. (Kemenlu)
MoH	:	<i>Ministry of Health (MoH) Republic of Indonesia</i> Kementerian Kesehatan R.I. (Kemenkes)
MoHA	:	<i>Ministry of Home Affairs (MoHA) Republic of Indonesia</i> Kementerian Dalam Negri R.I. (Kemdagri)
MoNE	:	<i>Ministry of National Education (MoNE) Republic of Indonesia</i> Kementerian Pendidikan Nasional R.I. (Kemendiknas)
MoPW	:	<i>Ministry of Public Works (MoPW) Republic of Indonesia</i> Kementerian Pekerjaan Umum R.I. (KemenPU)
MoT	:	<i>Ministry of Transportation (MoT) Republic of Indonesia</i> Kementerian Perhubungan R.I. (Kemenhub)
MoWE	:	<i>State Ministry of Women Empowerment Republic of Indonesia</i> Kementerian Pemberdayaan Perempuan R.I. (KemenPP)
MONEV	:	<i>(lihat M&E)</i> <i>(see M&E)</i>
MPs	:	<i>Members of Parliament</i>
MTEF	:	<i>Medium Term Expenditure Framework</i>
Musrenbang	:	Musyawahar Perencanaan Pembangunan Nasional <i>National Development Planning Summit</i>

N

NEC	:	<i>National Evaluation Coordinator</i>
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NCSW : *National Commission on the Status of Women*
NGO : *Non-Government Organization*

O

ODA : *Official Development Assistance*
Bantuan Luar Negri
OECD : *Organization for Economic Cooperation and Development, (www.oecd.org)*

P

P2DTK : *Program PNPM Daerah Tertinggal Khusus*
P2KP : *Program Penanggulangan Kemiskinan di Perkotaan*
PD : *Paris Declaration*
Deklarasi Paris
PDB : *(lihat GDP)*
(see GDP)
PEKKA : *Perempuan Kepala Keluarga*
Women Household
PFM : *Public Finance Management*
PISEW : *PNPM Infrastructure Social Economic Region*
PIU : *Project Implementing Unit*
PLN : *Perusahaan Listrik Negara*
State Electricity Enterprise
PMTCT : *Prevention of Mother to Child of HIV Transmission*
Pencegahan Penularan HIV dari Ibu ke Anak
PNB : *(lihat GNP)*
(see GNP)
PNPM : *Program Nasional Pemberdayaan Masyarakat*
National Community Empowerment Program
(www.pnpm-mandiri.org)
PoUWT : *Point-of-use Water Treatment*
PONED : *Pelatihan Obstetri Neonatal Emergensi Dasar*
Basic Emergency Obstetric Neonatal Training
PONEK : *Pelayanan Obstetri Neonatal Emergensi Komprehensif 24 Jam*
Comprehensive Emergency Obstetric Neonatal 24 hours Services
PP : *Peraturan Pemerintah*
Government Regulation
PPK : *Program Pengembangan Kecamatan*
District Development Program
PPP : *Public Private Partnership*
Kemitraan Pemerintah - Swasta
PS : *Primary School*
Sekolah Dasar
Puskesmas : *Pusat Kesehatan Masyarakat*
Community Health Centre

R

Raskin	: Beras Miskin <i>Rice for The Poor</i>
REPELITA	: Rencana Pembangunan Lima Tahun <i>Five Years Development Planning</i>
Riskesdas	: Riset Kesehatan Dasar <i>Basic Health Research</i>
RKA-KL	: Rencana Kerja dan Anggaran Kementerian/Lembaga <i>Ministry/Agency Plan and Budget</i>
RKP	: Rencana Kerja Pemerintah <i>National Plan</i>
RPJP	: Rencana Pembangunan Jangka Panjang <i>Long-Term Development Plan</i>
RPJMN	: Rencana Pembangunan Jangka Menengah Nasional <i>National Medium-term Development Plan</i>
RPKPHLN	: Rencana Pelaksanaan Kegiatan Pinjaman dan/atau Hibah Luar Negri <i>Action Plan from Overseas Loan and/or Grant</i>
RPP	: Rencana Peraturan Pemerintah <i>Government Regulation Plan</i>
RWSS	: <i>Rural Water Supply and Sanitation</i>

S

SBA	: <i>Skilled Birth Attendant (Midwives)</i> Bidan
SBD	: <i>Standard Bidding Document</i>
SCBD	: <i>Sustainable Capacity Building for Decentralization</i>
Setneg	: Sekretariat Negara <i>State Secretariat</i>
SKPD	: Satuan Kerja Perangkat Daerah
SSS	: <i>Senior Secondary School</i> Sekolah Menengah Atas
STARSDP	: <i>State Audit Reform – Sector Development Program</i>
STI	: <i>Sexually Transmitted Diseases</i> Penyakit Menular Seksual
Supas	: Survei Penduduk Antar Sensus <i>Inter-Census Population Survey</i>
Susenas	: Survei Sosial Ekonomi Nasional <i>National Socio-economic Survey</i>
SWAP	: <i>Sector Wide Approach</i>

T

TA	: <i>Technical Assistance</i>
TBA	: <i>Traditional Birth Attendant</i> Dukun
TF	: <i>Trust Fund</i>
T MDF	: <i>Transitional Multi Donor Funds</i>

U

- UKP4 : Unit Kerja Presiden Bidang Pengawasan Pengendalian Pembangunan
Presidential Working Unit for Supervision and Management of Development
- UN : *United Nations*
- UNDP : *United Nations Development Programme*
- UNICEF : *United Nations Children's Fund*
- UNIFEM : *United Nations Development Fund for Women*
www.unifem.org
- UNFPA : *United Nations Population Fund*
- USAID : *U.S. Agency for International Development*
<http://indonesia.usaid.gov/en/home>

W

- WB : *World Bank* (<http://worldbank.org/indonesia/>)
- WHO : *World Health Organization*
- WSC : *Women Study Centre (Indonesia)*
- WSSLIC : *Water Supply and Sanitation for Low Income Communities*

List of Content

	Page
Executive Summary	i
Forewords	vii
Acknowledgement	ix
Glossary	x
List of Content	xviii
List of Figures	xxi
List of Table	xxiii
List of Annex	xxiv
A. Introduction	1
A.1. Background	1
A.2. Organization of The Country Evaluation	3
A.3. Core Issues Addressed	4
A.4. Methodology	5
1. Data Collection	5
2. Selection of Respondents	7
A.5. Limitation	7
B. Country Findings on The Common Evaluation Questions	9
B.1. Paris Declaration in Context	9
1. Socio Economic	9
• Geography and Population	9
• Development Progress	10
a. Education	10
b. Health	13
c. Poverty Alleviation	14
d. Economy	16
2. Foreign Aid in Indonesia	20
• Major Influences Affecting the Ways Aid Has Worked	20
• Key Actors	22
• Development of Aid	23
3. Implementation of the PD Principles	28

	Page
B.2. Effect on the Efficiency of Aid	30
1. Improvement in the Efficiency of Aid Delivery	30
2. The Management and Use of Aid	36
3. Better Partnership	55
B.3. Strengthen Contribution of Aid to Sustainable Development Results	62
1. Results Enhanced through Application of Paris Declaration	62
2. Plausible Contribution to Development Results	63
B.4. Evidence of The Accra Agenda for Action Triggering an Acceleration of The Aid Effectiveness Agenda	65
B.5. Unintended Consequences of The Paris Declaration for Aid Effectiveness	66
C. Conclusions	68
C.1. Relevance of Paris Declaration	68
C.2. Implementation of Paris Declaration	70
C.3. Contribution of Paris Declaration to Aid Effectiveness and Development Results	75
C.4. Effect of Paris Declaration Implementation	78
C.5. Added Value of Paris Declaration	79
C.6. Key Messages for Stakeholders	80
C.7. Key Implications	81
D. Lessons Learned and Recommendations	82
D.1. Lessons Learned	82
1. Competence Staff to Implement Paris Declaration	82
2. Learning from Practical Actions	83
Aid Effectiveness for Development Secretariat (A4DES)	84
GoI – UNICEF Cooperation Program	85
BOS Program	86
WSSLIC	88
D.2. Recommendations	89
1. Putting Policies into Practices	89
2. Strengthen National Wide Program	90

	Page
3. Reducing Number of Development Partner through Harmonization	90
4. Combining A4DES with KHPPIA Mode	91
References	94
Annexes	98

List of Figures

No.	Tittles	Page
1.	Distribution of Population, Indonesia, 2005 (<i>in percent</i>)	10
2.	Percent of Fewer Women Assigned in Higher Rank of Government Official, Indonesia	11
3.	National and Provincial Human Development Index, Indonesia, 2008	11
4.	Drop-out Rate of Children Who Entered Primary School in 2000/01, Indonesia	12
5.	Percent of Birth Attended by Skilled Health Worker, Indonesia, 2000 – 2008	14
6.	Percent of Children Under Five Received Measles Immunization, Indonesia, 1995 – 2008	15
7.	Number and Percent of Poor People, Indonesia, 1990 – 2009	15
8.	Trend of Undernourishment and Malnutrition Prevalence, Indonesia, 1992 – 2007	16
9.	P ₂ Index, Indonesia	17
10.	Percent of GDP per Capita in USD and Its Growth, Indonesia, 1995 – 2008	18
11.	Global Competitiveness Index of Indonesia	19
12.	The Most Problematic Factors for Doing Business, Indonesia	20
13.	Profile of Loan and Share According to Sources	23
14.	Percent of Bilateral Loan from DAC Countries, Indonesia	24
15.	Distribution of Aid from Bilateral and Multilateral, Indonesia	25
16.	Distribution of Aid According to Type of Aid, Indonesia	25
17.	Net ODA from Non-DAC Countries, Indonesia, 1990 – 2006	26
18.	Trend of Aid for Health and Education in Indonesia, 2006 – 2008	27
19.	Trend of effort in merging mission, analytical works and aid support to program based	35
20.	Trend of utilization of Indonesia's systems	38
21.	Trend of effort in coordinated technical cooperation	40
22.	Conceptual Development Planning, Indonesia	42
23.	A4DES Organization	45
24.	Four Stages of RPJPN, Indonesia	46

25.	Trend of number of multi-year aid agreement	60
26.	Operational Mechanism of A4DES	66
27.	Collaboration Program Structure	85
28.	Organization Structure of KHPPIA	86
29.	The 5-Year Program Cooperation, Indonesia	91

List of Tables

No.	Title	Page
1.	Net Enrolment Rate by Age Group, Indonesia, 2000 – 2009	12
2.	Amount of aid for major technical ministries	27
3.	Allocation of funds according development function	28
4.	Major events related with aid effectiveness	29
5.	Major aspects requiring enhancement from the government and development partner	92

List of Annexes

No.	Titles	Page
1.	Organizational of the Country Evaluation of Paris Declaration in Indonesia	99
2.	Communication Channel of Country Evaluation of Paris Declaration ..	100
3.	List of Recommended Respondents for the Survey	101
4.	Summary of Findings for Core Q2	102
5.	Case Study 1 (Health Sector)	125
6.	Case Study 2 (Prioritization)	133
7.	Matrix Characteristic of BOS Program and PNPM Mandiri in relation to Paris Declaration Principles	139

A. Introduction

A.1. Background

Indonesia is a signatory to the Paris Declaration on Aid Effectiveness¹, and has committed to the aid effectiveness principles and commitments (see **Box**) contained in the Declaration. Participated in several High Level Forums on Aid Effectiveness the Government is committed to take forward the Accra Agenda for Action as well as other declarations on financing for development whereby Indonesia participated.

The twelve Paris Declaration Indicators

1. Partners have operational development strategies.
2. Reliable country systems.
3. Aid flows are aligned on national priorities.
4. Strengthen capacity by coordinated support.
5. Use of country public financial and procurement systems.
6. Strengthen capacity by avoiding parallel implementation structures.
7. Aid is more predictable.
8. Aid is untied.
9. Use of common arrangements or procedures.
10. Encourage shared analysis.
11. Results-oriented frameworks.
12. Mutual accountability.

status. The Government invites development partners to join this commitment towards development effectiveness, and to adopt the principles of aid effectiveness as articulated in the Paris Declaration in their development planning. The Jakarta Commitment places a strategic vision of both the Government of Indonesia and the development partners to collaboratively attempt to:

In order to transform its commitment into actions, the Government of Indonesia signed the Jakarta Commitment in January 12th, 2009. The Jakarta Commitment is a form of the Government of Indonesia's announcement to move forward with full implementation of the aid effectiveness principles by developing and adopting a country specific action plan. It is Indonesia's Road Map to implement aid for development effectiveness agenda, in the context of the country's Middle Income Country

The Jakarta Commitment

Strengthening Country Ownership over Development

- Strengthening capacities and using stronger government systems
- Improving the international governance of aid and strengthening south-south cooperation

Building More Effective and Inclusive Partnerships for Development

- Developing a new partnership paradigm
- Strengthening existing aid instruments and shaping new ones
- Expanding dialogue to include new actors

Delivering and Accounting Development Results

- Strengthening a focus on, and capacity to manage by, development results
- Working together to review progress across development partnerships

¹ The Paris Declaration on Aid Effectiveness, Paris , 28 February – 2 March 2005.

- strengthen national ownership in defining aid architecture and processes;
- shift from a donor-recipient relationship to a paradigm of equal and innovative partnerships;
- move from financial assistance to a more strategic and catalytic role of aid;
- depart from scattered project-based assistance to a more programmatic approach;
- focus more on capacity development and results orientation embedded in national programs; and
- exercise greater mutual accountability and alignment between the government and international partners.

Joint evaluation on the Paris Declaration had been decided in the effort to look into the implementation of the Paris Declaration, in addition to survey-monitoring. The first phase of the Evaluation ran from March 2007 to September 2008 and aimed at providing information on the "HOWs and WHYs" of the early implementation process of the Paris Declaration, looking at inputs and early outputs. It was designed and used to deliver practical lessons and help take stock of implementation performance at the 3rd High Level Forum on Aid Effectiveness held in Accra, Ghana in September 2008. The second phase of the evaluation should run starting from the 3rd High Level Forum in 2008 up to the 4th High Level Forum in Korea in 2011. This second phase gives emphasis on outcomes and results and offer answers to the critical policy question of whether the intended long-term effects of the Paris Declaration are being achieved.

Indonesia did not participate in the first phase of evaluation, but the second phase. The aim of the evaluation is to document, analyze and assess the relevance and effectiveness of the Paris Declaration in Indonesia and its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

Specific objectives include:

- a. to document the results achieved in the country through implementing the Paris Declaration;
- b. to enable the partner countries and donors/agencies active in the country to clarify, improve and strengthen policies and practice consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness;
- c. to highlight barriers and difficulties that may have limited the effectiveness of the Paris Declaration and its effects and impacts - and ways that these barriers and difficulties may be overcome;
- d. to enable sharing and exchange of experience among stakeholders, countries and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

A.2. Organization of the Country Evaluation

Following up the Regional Workshop on Methodology for Team Leader in Ha Long, Vietnam the Government of Indonesia established the Country Evaluation Team. The appointed Team Leader assisted in identifying potential consultants who met the qualifications to become members of the Evaluation Team. The composition of the Evaluation Team was basically designed to response to the focus of country evaluation of the Paris Declaration on Health and Education sectors. The Evaluation Team was fully formed in the first week of June 2010 and started working only shortly before the Workshop on Process and Methodology was conducted on June 17-18th, 2010, in Bogor for the team.

There were three core groups organizing and implementing the country evaluation of the Paris Declaration. The organizational set-up of this country evaluation is described in **Annex 1**.

The organizational set-up basically followed the Country Evaluation Term of Reference that requires an independent Country Evaluation Team be formed to conduct the evaluation. The Evaluation Team, while maintaining it's independent, should work closely with the National Evaluation Coordinator (NEC) as the country focal point to communicate with the Core Evaluation Team (CET) and peer-partners at the international level, as well as line ministries and development partners at the country level. A National Reference Group would play the important role of accessing information; exerting quality control; linking to government and engaging civil society; facilitating the necessary wider consultation; and encouraging the use and usefulness of the evaluations findings.

The communication channel adopted entirely what had been proposed by the Core Evaluation Team as described in **Annex 2**. This diagram is not an organizational structure, but it depicts the communication channel.

The National Evaluation Team had benefited from the existing communication technology to communicate with the NEC and the CET. In particular, the National Evaluation Team used the extranet introduced in the Workshop on Methodology for Team Leader in Ha Long, Vietnam to consult with the CET. A mechanism was agreed by the core groups on who had the responsibility for uploading information/data into the extranet.

The NEC had managed to arrange a space for the Evaluation Team in A4DE Secretariat, which facilitated the Evaluation Team to obtain logistical supports that it required, from the Secretariat. In addition, it allowed the Evaluation Team to coordinate with A4DE Working Groups to gather necessary information related to Paris Declaration Evaluation.

A.3. Core Issues Addressed

The Terms of Reference lays down the core evaluation issues that are common to all country evaluations. The Workshop on Methodology in Ha Long, Vietnam, attended by the National Evaluation Team Leader and the NEC, underlined that the focus of evaluation is on process, intermediate outcomes, and development outcomes of the implementation of Paris Declaration. The key questions are classified into the following three core questions²:

Core Q1. “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The Paris Declaration in context)

- What are the key characteristics of the country that have been most relevant to the implementation of the PD?
- What are the most important national and international events that have affected the implementation of the Paris Declaration and Accra priorities, and how?
- What is the place of aid subject to PD principles among all sources of development finance and resources? What have been the trends from early roots to 2005 and since?”
- Which are the key actors, in the country and among its development partners, who can take major decisions on aid? What influence do the Paris Declaration and AAA commitments have on them, in relation to their other priorities and incentives?
- To what extent and where have the PD principles been implemented?

Core Q2. “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?” (Process and intermediate outcomes)

- A. Country ownership over development
- B. Building more inclusive and effective partnerships for development
- C. Delivering and accounting for development results

Core Q3. “Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How?” (Development outcomes)

- Were results in specific sectors enhanced through the application of the PD principles?
- Did the implementation of the PD help countries to improve the prioritisation of the needs of the poorest people, including women and girls?

² Operational Matrix for Country Evaluation prepared by the CET.

- Has PD implementation led to sustainable increases in institutional capacities and social capital at all levels to respond to development challenges? Why, how and where, and what are the effects?
- How and why has the mix of aid modalities (including general or sector-specific budget support) evolved and what have been the development results?

The Ha Long Workshop also introduced an Operational Matrix provided by the Core Evaluation Team (CET), which was a detailed elaboration of all those key questions to be used by the Evaluation Team. The Workshop on Process and Methodology conducted in Bogor emphasized further the need for the Evaluation Team to operate utilizing the Operational Matrix that addressed the previously mentioned in A3. Core Issues Addressed.

The workshop in Bogor was conducted to facilitate discussions between the NEC and the National Evaluation Team to gain mutual understanding on the purpose and objective of the evaluation stated in the Term of Reference, and reached agreement on the core issues of evaluation. In the Workshop, the three issues emphasized in the Accra Agenda for Actions were shared, which the evaluation needed to focus on:

- Commitment of ownership, which the Government of Indonesia and development partners need to put efforts in, adopting a mutual system;
- Equal partnership, which emphasizes dialogue to move away from donor driven program; with long term commitment and predictable aid;
- Improved development results through mutual responsibility and a shift from tied to untied aid.

The Bogor Workshops also recommended several documents be used as references for the Evaluation Team to review and discuss applicable ways of collecting data, both primary and secondary. These are discussed in Section A.4. Methodology. Besides, the Workshop facilitated discussions on critical mile-stones that should guide and be adhered to by the Evaluation Team completing its consultancy services.

A.4. Methodology

1. Data Collection

The Evaluation Team had done its best and adopted methodology that would support producing quality Final Evaluation Report useful for the government and development partners in improving development aid effectiveness. The Team fully realized that the evaluation report would be a synthesis of inputs from different sectors and donors reviews. The Team, therefore, had adopted descriptive analysis and a mixed of various methods as anticipated in the Evaluation Framework and Work Plan. The Team had also considered various methods outlined in the Annex A, Operational Matrix prepared by the CET. In particular, the Team had adopted the

following methods to collect information in responding the three core questions of the country evaluation of Paris Declaration:

- 1. Documents review** – A review of relevant existing documents had been undertaken. Efforts had, in particular been made in collecting data recommended during the Bogor Workshops. The documents include laws and regulations, statistical data, country strategic planning and policy documents. In addition, the Team also conducted review of relevant studies/surveys/evaluation conducted by the Government of Indonesia, development partners and other agencies.
- 2. Mail Surveys** – The National Evaluation Team utilized the Country Interview Guidelines provided by ECT as the questionnaires. It was mailed in the form of prints and electronic copy (CD-R) to selected organizations/institutions and/or individuals to be completed and returned. With regard to Ministries, the questionnaires were sent to the Head of Planning Bureau within line ministries, responsible for planning and consolidating all loan funded projects. Brief information on the country evaluation of Paris Declaration, prepared based on available information like Country Evaluation Term of Reference and Notes Theory on PD, was also sent along with the questionnaires.

All possible efforts to ensure that people would respond and return the questionnaires were made including contacting the questionnaires recipients to check receipt and as reminder. However, based on one of the Team members experience in her involvement with an on-line MOPAN survey, whereby only 30% of respondents returned the questionnaires and increased to 55% only after efforts were made to contact individual respondents, the team could not expect much despite all the efforts. In fact, of all questionnaires mailed to prospective respondents among development partners, only 42% were returned.

- 3. One-on-one interview** – only eight interviews were successfully conducted with representatives of relevant organizations/ institutions including development partners, government institutions and international NGOs. In some cases this was to clarify and deepen information/data already provided through the mail surveys. Additional information collected through this mode included information/data on coordination between development partners and the government, as well as coordination among development partners. Because of poor access to carry out interview, the National Evaluation Team took advantage of personal communication with several individual who serves as government officer and development partner, and consultant for aid funded programs.
- 4. Triangulation** – this was conducted through meeting with the National Reference Group members as well as comparing the interview and survey data with those generated from document reviews.

2. Selection of Respondents

There were four types of respondent for this evaluation – governments, non-government organizations, universities and development partners and they were selected based on the foreign aid performance documents published by Bappenas, 2009. As many as 14 development partners providing loan in Indonesia and 16 line ministries implementing development programs (see **Annex 3**) were included as mail surveys respondents. For the one-to-one interviews, only those that responded and returned the questionnaires were interviewed, plus a number of individuals with relevant positions and/or considered by the Evaluation Team as able to give insights on aid effectiveness related issues.

A.5. Limitation

The Team found low response³ to the mail survey as well as the one-on-one interview. The total number of questionnaires received or the one-on-one interview conducted by the Team is 10 out of 31 (or 32%) questionnaires sent out. Two reasons might have caused this situation: only one person was in charge for aid issue in line ministries, who had limited time; and the organizations' bureaucracy required that the filled-out questionnaire should be cleared by higher level officials, who might sit at the Headquarters. Consequently, some major technical ministries and development partners were not able to return completed questionnaires. The team, therefore, used personal connection to gather information from such development partners and technical ministries. In most cases, the personal connection staff is not the formally assigned staff for aid effectiveness. They, therefore, are not generously providing information, both primary and secondary data. Even, they have objection to have their names in the report.

Delays in the receipt of questionnaires by the relevant persons added another challenge that evaluation team and respondents encountered. Generally, mails were treated as incoming letter, and would sit for a certain period in the recording of incoming mail on development partners and line ministries offices. Moreover, staff of certain development partners and technical ministries required more time to understand the questionnaires and/or arrange a proper time for interview. The evaluation team had made all efforts to meet with them to explain further the evaluation in more detail. Unfortunately, many of respondents could not return the questionnaires as scheduled. Even, many of them requested more time complete, but they did not return the complete questionnaires nor facilitate the team to interview other staff.

The combination of the above challenges put pressure upon time availability for the evaluation team to gather scattered and limited data to generate quality and

³ Based on experience from on-line MOPAN survey, the team has intensively contact major respondents to find opportunity to engage with the appointed person for this evaluation. Different evaluation team serving UNFPA faced similar experience – low response while arranging meeting with respondents to gather primary and secondary data.

profound report. As a result, the team had to pass over the section of aid modalities and social capital (Q3 c and d) due to the absence of data and insufficient information to generate in-depth report.

Development partners as well as other agencies claimed that they had provided information relevant for this study such as country strategic planning, policy documents, loan/grant programs and or projects in their websites. However, such information was not always easy to find since they might have different names in the websites, or the information was not even available in the website. When the information was found, it was usually only about the situations after the Paris Declaration (2005). Therefore, the Team faced difficulties to do comparative analysis on before and after PD implementation; thus the Team could not judge the progress before 2005. The team could only analyze the situation after PD.

B. Country Findings on the Common Evaluation Questions

B.1. The Paris Declaration in Context

1. Socio Economic

- **Geography and Population**

Situated between Australia and Asia continents, Indonesia enjoys only two major seasons, wet and dry. The two seasons shape very significantly the regional climate of Indonesia. The western and northern side, Sumatera and Kalimantan enjoy more rains compared to the eastern and southern side, especially East and West Nusa Tenggara. Because of its location and geographical terrain, most of Indonesia is very prone to natural disasters such as tectonic earthquakes, volcanic tremors and eruption, and tsunamis to name the common ones. On the other hand, the lands produce enough natural resources for people to run their economic activities, comprising of oil, natural gas, minerals and timber. However, the management of these resources requires much improvement to avoid conflict and environmental degradation that stimulates floods, land slides, mud slides and drought as man-made disasters. In several regions, drought and flooding have adverse impact on food security and people's lives.

Natural (tsunami and earthquake) and man-made (flood and landslides) disasters clearly place pressure to allocation of resources for development activities. The government has to balance between sustaining development activities and redirecting funds to help disaster victims. Tsunami in Aceh is an obvious reminder for development actors that natural disaster could paralyze the entire local systems, and people totally rely on external assistant.

Survey on population between census (*Supas*) in 2005 recorded around 218.87 millions people⁴, which placed Indonesia as the fourth most populous country in the world. Almost 60% of people live in Java, the smallest among the five biggest islands (**Figure 1**). The rest is distributed in the other islands with lower population density, such as Maluku, North Maluku and Papua. Children, those below 19 years⁵ constitute almost 40% of the total population. There were 83.88 million children in Indonesia comprising of 19.59 millions under-5 years and 64.29 million 5 - 19 years. The workforce force group, 20 – 59 years contributed more than half of the population, 118.39 millions. Those above 60 years took 7% of the population.

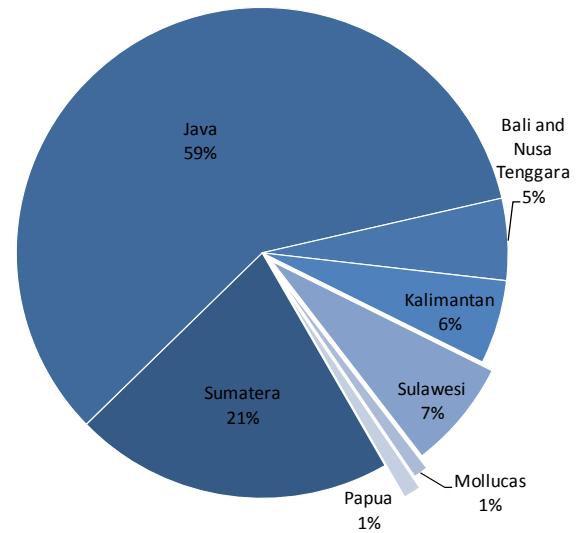
⁴ Reported by BPS in 2010.

⁵ Below 18 years is definition of children under National Law No. 23/2002 on Child Protection and the United Nation Convention on the Rights of Children (UNCRC). 19 years is used to show population of children, since BPS does not produce data population below 18 years.

- **Development Progress**

Triggered by MDGs launched in 2000 and a World Fit for Children declared in 2002, the Government of Indonesia developed a National Program for Children of Indonesia (*Program Nasional bagi Anak Indonesia – PNBAI*) in 2004.⁶ It is the strategic vision of Indonesia to fulfil children’s rights, as well as laying down strategic activities to achieve the defined and agreed targets. The Program focuses on Health, Education, Child Protection and HIV/AIDS. Together with the MDGs, PNBAI leads relevant Departments and non-Department in designing and planning development programmes.

Figure 1. Distribution of Population, Indonesia, 2005 (in percent)



Source : Supas, BPS, 2005

In general, the nation has moved forward to the right direction according to the latest report on achievement of the MDGs in Indonesia.⁷ Economically, the country has regained the condition before the 1997/98 world crisis. More children have better access to quality education, and more mothers received better health services. Regrettably, disparity still occurs between woman and man. Only few women have been assigned in the higher ranks of government official (**Figure 2**), and more women are unemployed and receive lower wages than man. Despite having a woman President and 30% quota demanded in Law No. 31/2002 on Political Party and Law No. 12/2003 on Election, the number of woman sitting as people’s representative is considerably lower than man. In addition, gaps between developed and least developed provinces continue to exist. The National and Provincial HDI value in **Figure 3** confirms that people of the western region are in better conditions than those in the eastern regions, with Papuan remain as the least developed group.

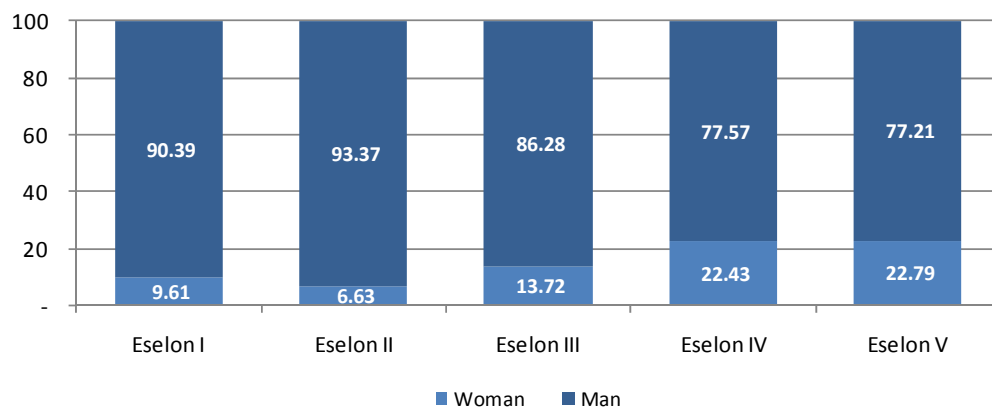
a. Education

The government has always placed education as a priority sector. Social Safety Net Program was launched to safe children from discontinuing their schooling, following the economic crisis in 1997/98.⁸ The Social Safety Net was transformed into School Operational Support Program, known as BOS Program (*Program*

⁶ Anonim (2004). Buku 1: Ringkasan Eksekutif dan Buku 2: Uraian Program per Bidang. Program Nasional Bagi Anak Indonesia (PNBAI) 2015.
⁷ Bappenas (2007). Progress Report of Millennium Development Goals Achievement in Indonesia 2007, November 2007.
⁸ Personal communication with a BOS Program consultant working for the MoNE.

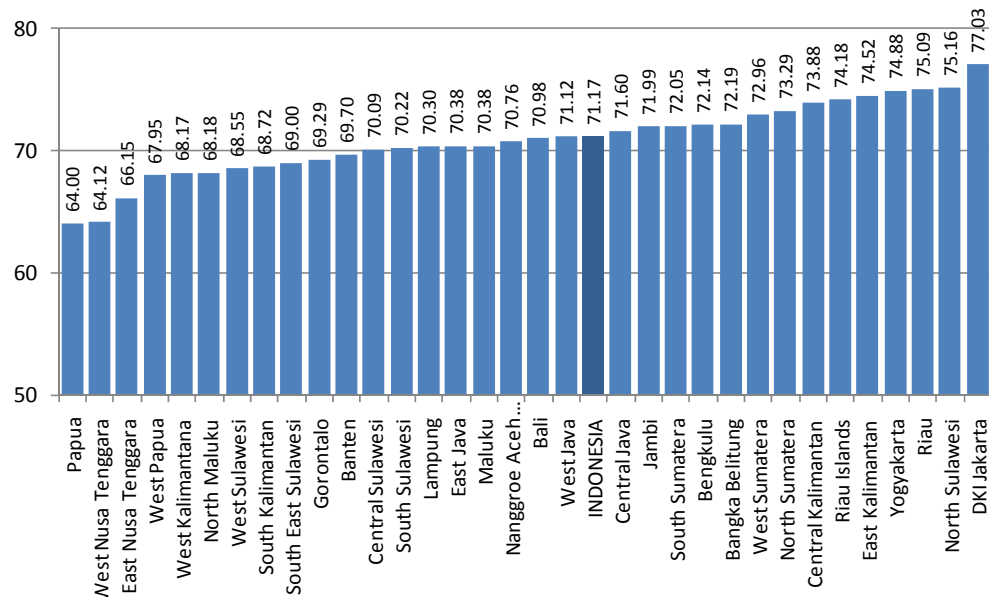
Bantuan Operasional Sekolah) in 2005.⁹ The Program endows school with direct funds, by passing official hierarchy to cover 13 permissible operational costs like purchasing books, office supplies and teaching aid, and building maintenance. The Program is also designed to (1) free all students of primary education in particular poor students and students of state primary schools (except international school) from paying for operational costs, and (2) lessen the burden of private school students.¹⁰ Coupled with other education programs, BOS Program becomes a driving force in achieving education for all.

Figure 2. Percent of Fewer Women Assigned in Higher Rank of Government Official, Indonesia



Source : Bappenas, 2007

Figure 3. National and Provincial Human Development Index, Indonesia, 2008



Source : BPS, 2010

⁹ Personal communication with a BOS Program consultant working for the World Bank.

¹⁰ Direktorat Jenderal Pendidikan Dasar dan Menengah - Departemen Pendidikan Nasional (2009). Buku Panduan. Bantuan Operasional Sekolah (BOS) untuk Pendidikan Gratis dalam Rangka Wajib Belajar 9 Tahun yang Bermutu.

From 2005 to 2009, access to primary education increased steadily at around 1% yearly (**Table 1**). Having net enrolment rate of more than 90%, almost all of Indonesia's children enjoy their rights to primary education. Access to education, however, decreases at secondary and higher level. The rate decreases nearly half for children accessing secondary school. Figures on access to education between female and male provide a mixed trend of inequality (**Table 1**). Male had the tendency to enjoy more access to primary education compared to female in early 2000's, but later in late 2000's the situation reversed. On the contrary, access of female to junior secondary school is always higher than male. The trend at senior secondary school is, to some extent similar with that of primary school. The senior secondary school enrolment superiority of female was overtaken by male in 2005.

Table 1. Net Enrolment Rate by Age Group, Indonesia, 2000 – 2009

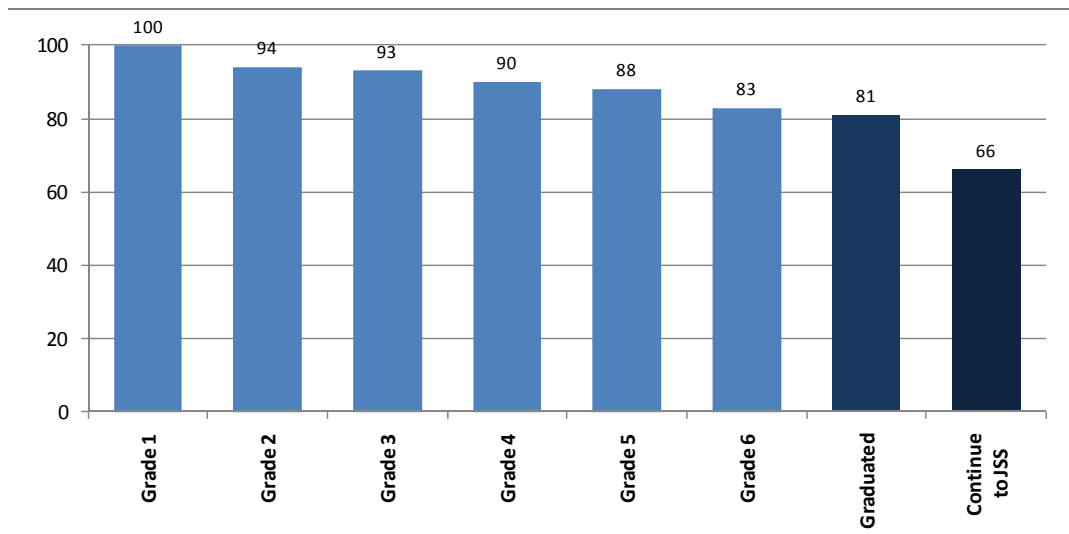
	00	01	02	03	04	05	06	07	08	09
PS (age 7-12 years old)	92.3	92.9	92.7	92.6	93.0	93.3	93.5	93.8	94.0	94.4
Male	92.1	92.7	92.7	92.5	93.1	93.3	93.8	93.9		
Female	92.4	93.0	92.8	92.6	93.0	93.2	93.3	93.6		
JSS (age 13-15 years old)	60.2	60.5	61.7	63.5	65.2	65.4	66.5	66.6	67.0	67.4
Male	59.0	59.1	60.9	62.6	64.2	64.3	66.5	66.0		
Female	61.5	61.9	62.5	64.5	66.4	66.5	66.5	67.3		
SSS (age 16-18 years old)	39.3	37.1	38.3	40.6	43.0	43.5	43.8	44.6	44.8	45.1
Male	38.6	37.1	38.8	40.5	43.2	43.6	43.8	44.8		
Female	40.1	37.2	37.7	40.6	42.7	43.4	43.8	44.3		

Source: 2000 – 2007 taken from National Socioeconomic Survey (*SUSENAS*)
2008 – 2009 taken from
http://dds.bps.go.id/eng/tab_sub/view.php?tabel=1&daftar=1&id_subyek=28¬ab=38.

While enjoying high access to primary education, the national program of 9 years compulsory basic education (known as *WAJAR – Wajib Belajar*) was likely not be able to achieve its target in 2009. **Table 1** indicates that only an average of 66% children enrolls to junior secondary school. Report on the progress of the MDGs in 2007¹¹ also alarmed the nation about achievement of such national program. The Report brings up further the fact that only 77% of children who enrolled to primary school in 1999 successfully entered grade 6 in 2004/2005, and only 75% had graduated by the end of that school year (**Figure 4**).

¹¹ Bappenas (2007). Progress Report of Millennium Development Goals Achievement in Indonesia 2007, November 2007.

Figure 4. Drop-out Rate of Children Who Entered Primary School in 2000/01, Indonesia



Source: Kemdiknas, 2008/9¹²

b. Health

Similar to education, health is another priority development sector. The government has long been implementing a Maternal and Child Health (MCH) Program, aimed at improving health services and reducing maternal and under-5 mortality rates.¹³ The Program constitutes a wide range of activities from direct food supplies, mass immunization, community empowerment, to provision of better health services.

Integrated Services Post known as *Pos Pelayanan Terpadu (Posyandu)* is established in almost all village country wide for the government providing basic community health services. Health is one activity, in which the government provides necessary supplementary feeding for the needy children and mothers. Through *Posyandu*, the government also places efforts to cover higher percentage of children receiving immunization. The government endeavoured to empower community to work with Community Health Centre (*Pusat Kesehatan Masyarakat - Puskesmas*) under Local Areas Monitoring (LAM) (*Pemantauan Wilayah Setempat – PWS*).¹⁴ Even though not considered as national program, starting from 2009 LAM is upgraded into internet-based monitoring and analysis in some piloted provinces.¹⁵ With supervision provided by midwives, the community is empowered to report any incident of illnesses, including location of family with pregnant women and under-fives to *Puskesmas*.

¹² Statistic of Education Centre, Ministry of National Education, 2008/9, www.psp.kemdiknas.go.id.

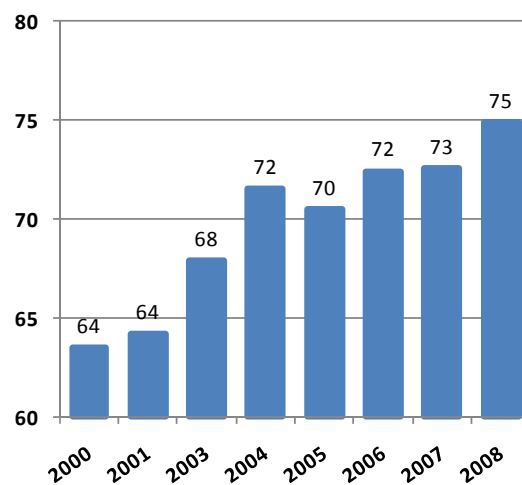
¹³ Personal communication with MoH and WHO staff, and review of development activities under MoH in www.depkes.go.id.

¹⁴ IHS, 2009, Report on Midterm Evaluation of Gol-UNICEF Collaboration Program.

¹⁵ Data was gathered from interview with staff of MoH and observation of evaluation team members working on consultancy services on various health programs.

Although living standards is generally improved, health indicators figures indicate a mixed development progress. More mothers are attended by skilled health workers when they give birth and more children received measles immunization as shown in **Figure 5** and **6** respectively. On the other aspect, Indonesia Demographic and Health Survey (*Survei Demografi dan Kesehatan Indonesia – SDKI*) from 1994 to 2007 shows declining rate of under-5 mortality from 66 to 39, and maternal mortality from 420 to 307.¹⁶ However, under-5 and maternal mortality rates have not improved as expected which causes delay in the achievement of MDGs target rate at 17 and 102 by 2015, respectively. Under-5 mortality rate target will only be achieved by 2020, while maternal mortality rate by 2025.¹⁷

Figure 5. Percent of Birth Attended by Skilled Health Worker, Indonesia, 2000 – 2008



Source : BPS, 2010

c. Poverty Alleviation

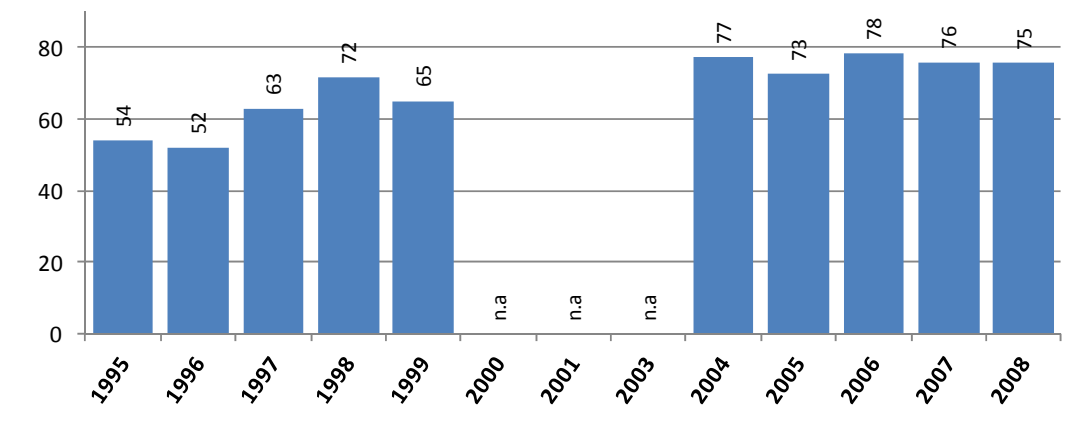
Poverty, in general has adverse affect on people’s lives. Poor people could not consume food with appropriate protein content and send children to school. The Government of Indonesia has, therefore, formulated reasonable strategy to alleviate poverty. Adopting approach of certain successful programmes on poverty alleviation, the Government of Indonesia has implemented across the country a programme named as the National Programme for Empowering Community (*Program Nasional Pemberdayaan Masyarakat – PNPM*) since 1997.¹⁸ The Programme is designed to improve people’s prosperity and access to employment through empowerment. PNPM comprises of four development sub-programmes namely *Kecamatan* Development Programme (*Program Pengembangan Kecamatan – PPK*), Urban Poverty Alleviation Programme (*Program Penanggulangan Kemiskinan Perkotaan - P2KP*), Regional Social Economic Infrastructure Programme (*Pengembangan Infrastruktur Sosial Ekonomi Wilayah – PISEW*), dan (*Program Percepatan Daerah Tertinggal dan Khusus - P2DTK*). Under PNPM, communities are facilitated to develop Village Medium Term Development Plan and a Strategic Plan, which identifies yearly priority activities. The yearly priority activities are reviewed in a series of development planning meeting at the Sub-District, District/City and Provincial levels, and eventually at the national level.

¹⁶ Cited from http://www.menegpp.go.id/aplikasidata/index.php?option=com_docman&Itemid=111

¹⁷ Bappenas, *loc. Cit.*,

¹⁸ Review of program information in www.pnpm-mandiri.org

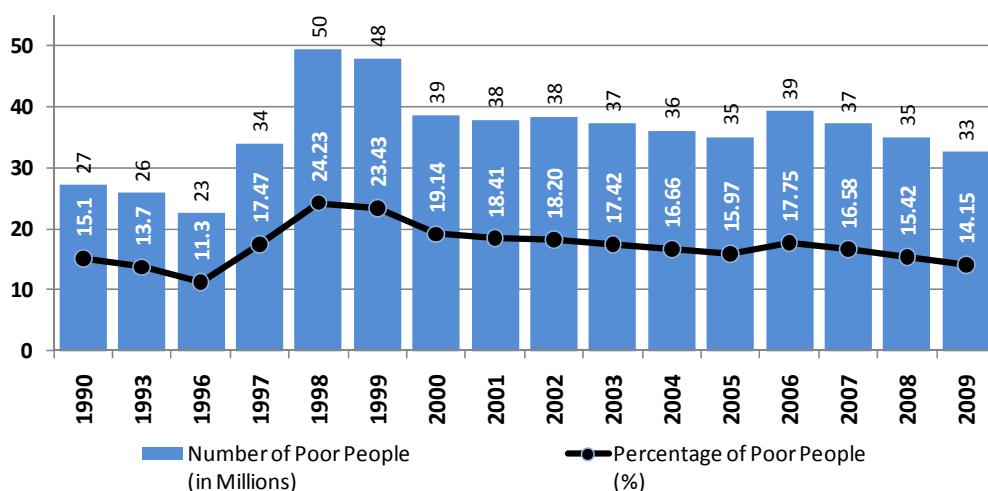
Figure 6. Percent of Children Under Five Received Measles Immunization, Indonesia, 1995 – 2008



Source : BPS, 2010

Figure 7 illustrates a downward trend for percentage of poor people in Indonesia. It dropped below 20% in 2000, two years after the world crisis in 1997/98 which raised the percentage of poor people from 17.47% in 1997 to 24.23% in 1998. The percentage moved down steadily up to 14.15% in 2009, though it increased to 17.75% in 2006. Unfortunately, the latest achievement is still 2.85% higher than the lowest percentage within the last 10 years that took place in 1996. Reduced poverty rate is shown also by decreasing of incident of undernourished and under-five malnourished, as shown in **Figure 8**. The figures are a sign of improvement of people's access to nutritious food for their children. The figures of GDP per person employed confirm such condition, where GDP increased steadily from USD 5,945 in 1990 to USD 8,688 in 1997. It dropped to USD 7,353 in 1998, after the 1997/98 world crisis and moved up to reach USD 10,671 in 2008.

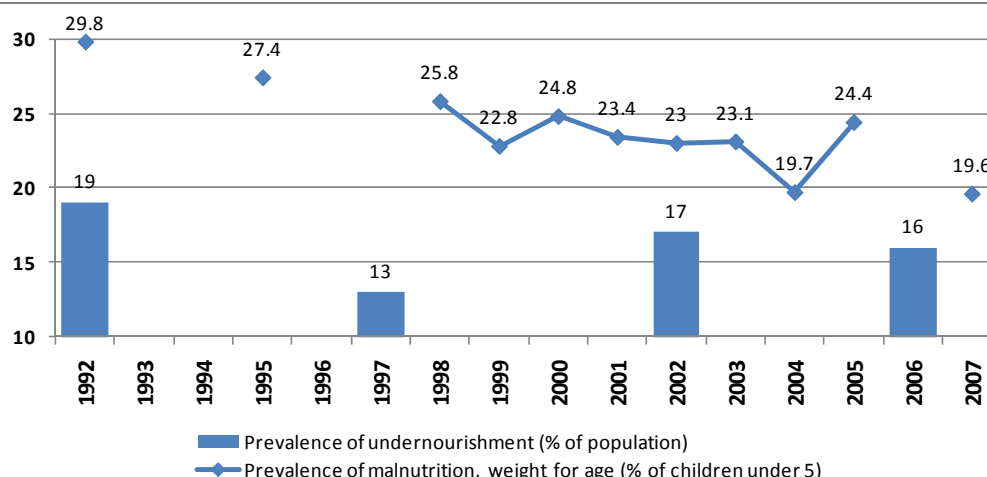
Figure 7. Number and Percent of Poor People, Indonesia, 1990 – 2009



Source : BPS, 2007¹⁹

¹⁹ Poverty Rate in Indonesia, 2007 in Berita Resmi Statistik, Badan Pusat Statistik, No. 38/07/Th. X, 2 Juli 2007, <http://www.bps.go.id/index.php?news=776>. 1993-1996 : Progress Report of Millennium Development Goals

Figure 8. Trend of Undernourishment and Malnutrition Prevalence, Indonesia, 1992 – 2007



Source : World Bank (2010)²⁰

Despite positive progress in alleviating poverty, the 2007 report on achievement of MDGs²¹ in Indonesia highlights the figure of people living with less than USD 2 and reminds the nation to pay more attention on this poverty issues. The percentage of people living with less than USD 1 has reached to 7.5%, while the target is 10%. However, the percentage of people living with less than USD 2 is significantly very high, 49%. This places almost half of Indonesian at vulnerable condition. People could easily swing their status into poor group because of adverse change in economic condition, as reported by BPS (2010) that poverty line is influenced very much by food prices. Vulnerability of people varies between one to another region. The gap between the least vulnerable region and the most vulnerable region is relatively high, although the national value is less than 1%. The value of P_2 in **Figure 9** explains that people in Papua are the most vulnerable group to adverse change in economic condition, while people in Jakarta are the least vulnerable group.

Ratio of employment²² to population also warns the nation to continue putting efforts on poverty alleviation. The ratio is almost stagnant. It fluctuated between 60 to 63%.²³ Woman's share is less than man, and fluctuated between 42 to 47%, while man fluctuated between 77 to 80%.

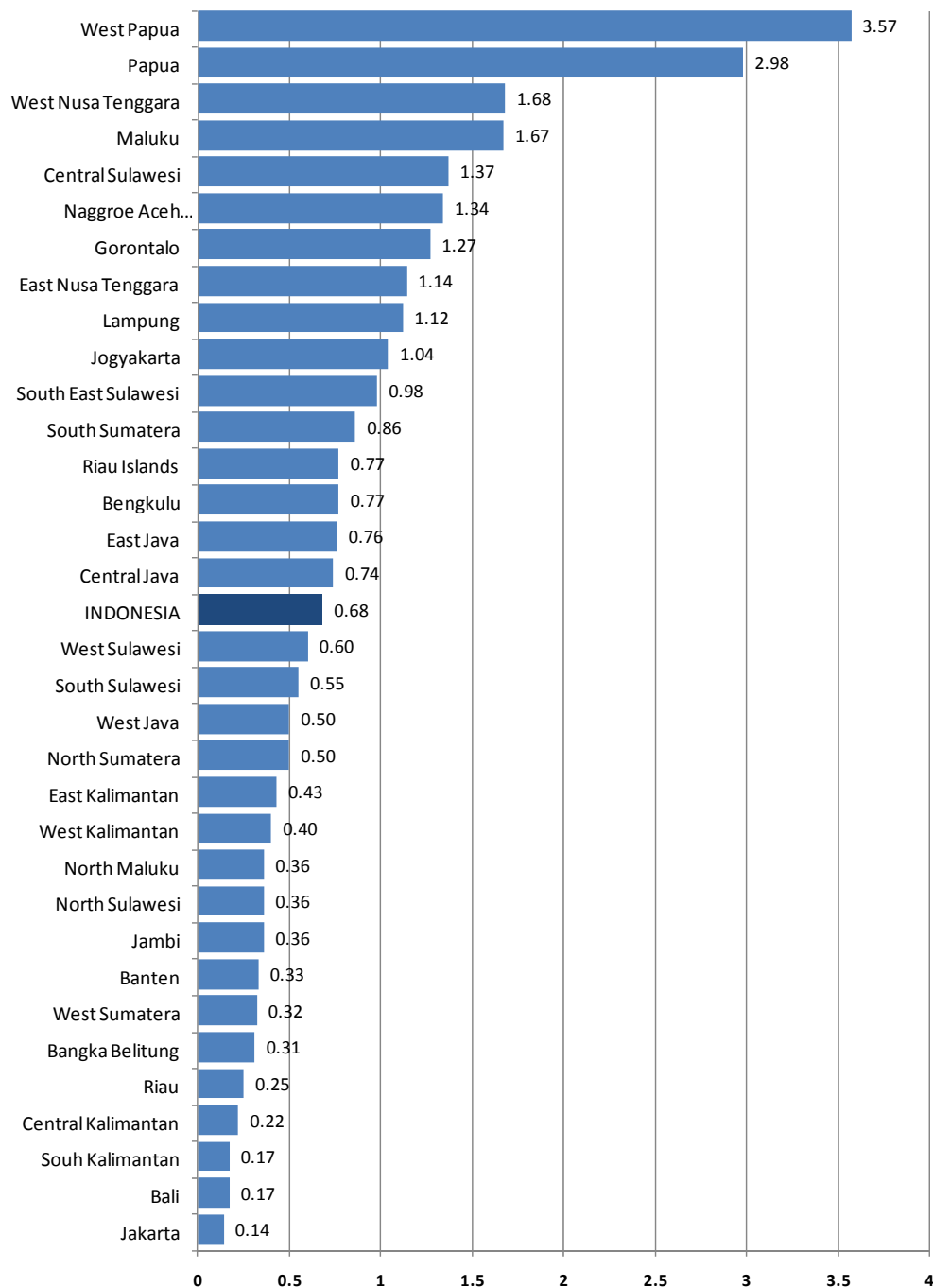
d. Economy

Indonesia was severely affected by the 1997/98 world crisis. GDP per capita negatively grew at 13.45% in 1998 as shown in **Figure 10**. The country took four

Achievement in Indonesia 2007
²⁰ databank.worldbank.org/ddp/home.do?Step=1&id=4
²¹ Bappenas, *loc. cit.*,
²² Age 15 and above are categorized as working-age group.
²³ databank.worldbank.org/ddp/home.do?Step=1&id=4

years to regain its GDP per capita of USD 2,572, a value before the 1997/98 world crisis. The government has taken many economic reforms to save the country from bankruptcy. Manring (1999) mentioned that a well-known and important reform is debt restructuring through establishment of Indonesian Debt Restructuring Agency (INDRA) in 1999. INDRA's major responsibility was to carry out debt restructuring and mediate between debtor and creditor.

Figure 9. P₂ Index, Indonesia



Source : BPS²⁴

²⁴ http://www.bps.go.id/tab_sub/view.php?tabel=1&daftar=1&id_subyek=23¬ab=1

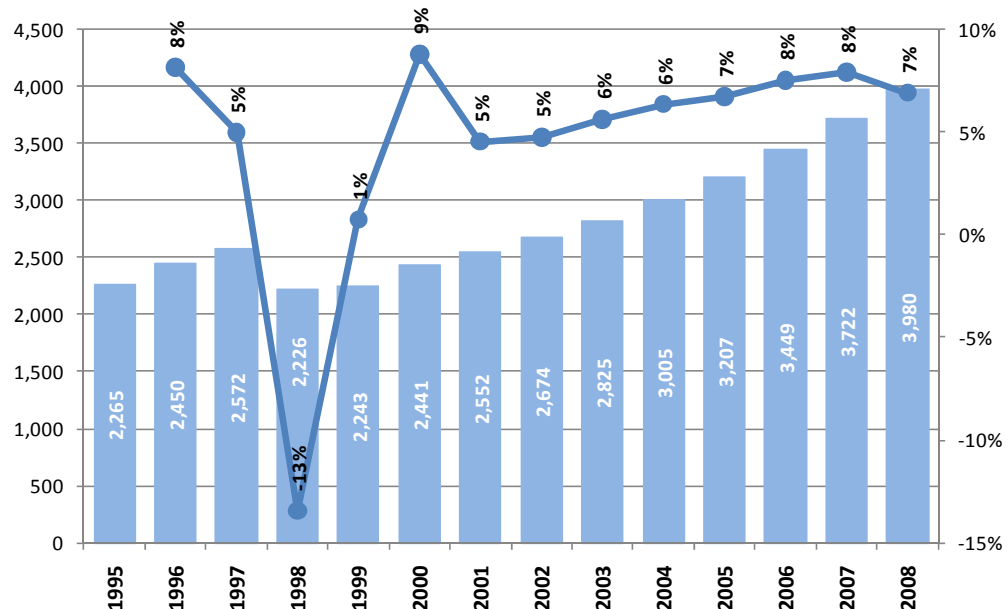
As a result of continuous reforms, Indonesia's economy gradually grew. The World Economic Forum reports a GDP of USD 511.8 millions in 2008, or GDP per capita around USD 2,246.3. The country shares 1.31% of the world total GDP. With GNI per capita of USD 1,420²⁵, Indonesia is classified as lower Middle Income Countries/ Territories by DAC-OECD. Based on analysis of several international financial organizations, Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal - BKPM*) believes the country could attract more foreign investment (see Box).

Indonesia is attractive to foreign investment

Indonesia's economy grew by 4.5% last year and is forecast to climb to 5.6% in 2010 and further still to 6% in 2011. Future economic expansion is expected to include more inclusive growth as nominal per-capita GDP is expected to quadruple by 2020, according to a Standard Chartered report. Indonesia's debt to GDP ratio has steadily declined from 83% in 2001 to 29% by the end of 2009. The country is ranked 1st among Asia-Pacific sovereigns by Standard & Poor's for best fiscal balance. In January 2010, Fitch ratings upgraded Indonesia's credit rating to BB+ with a stable outlook. The rating upgrade is in line with Indonesia's strong and sustained growth, and improving fiscal position. It is especially an enormous vote of confidence for investments in Indonesia - putting us only 1 notch below investment grade.

Source: www.BKPM.go.id

Figure 10. Percent of GDP per Capita in USD and Its Growth, Indonesia, 1995 – 2008



Source : OECD Factbook, 2010²⁶

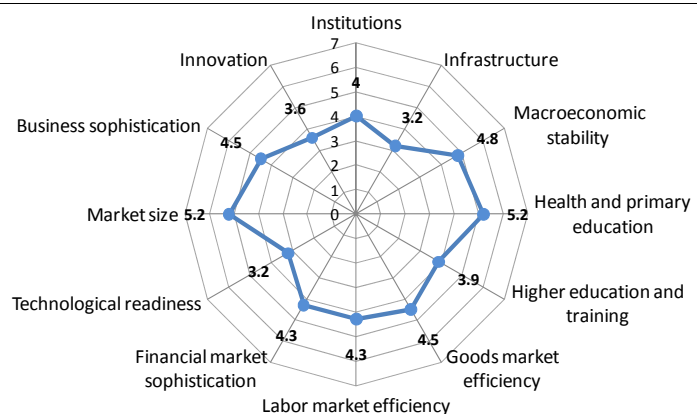
²⁵ Data cited from OCED – oecd.stat and the World Bank – databank.worldbank.org

²⁶ Calculated from OECD Factbook (2007). Economic, Environment and Social Statistic.

At least three important measures were taken by the government to further attract foreign investment. In 2007, the government enacted Investment Law No. 25/2007 replacing the Law No. 1/1967.²⁷ The new law redefines capital investment from domestic and foreign investor as investments, which equally treats all investors. The new law also does not limit foreign investment permits to only 30 years and allows for the unimpeded repatriation of capital. In 2010, the government adopted One-Stop-Shop (PTSP) and National Single Window (SPIPISE) scheme. PTSP and SPIPISE are a one-door integrated service and an electronic automation platform for investment licenses and non-licensing services. It was designed to simplify procedures and amount of documentation needed to invest in Indonesia. Investors do not need to physically come to BKPM offices to apply for certain services. BKPM believes the new system has revamped internal processes and rectified human resource constraints to increase the speed and improve the quality of investor services. Currently, the government goes through Public Private Partnership (PPP) restructuring – moving PPP Secretariat from Bappenas to BKPM.²⁸ All the measures will place BKPM as the investment front office, while Bappenas and Technical Departments will play as back office.

There are still, however, business related aspects which requires further quality improvement aside from favourable environment for investment. According to Global Competitiveness Index (GCI) reported by the World Economic Forum in 2009, Indonesia's score falls to 4.26 of 7, and rank 54 among 133 countries. Of the 12 GCI indicators in

Figure 11. Global Competitiveness Index of Indonesia



Source : Schwab, K, 2009²⁹

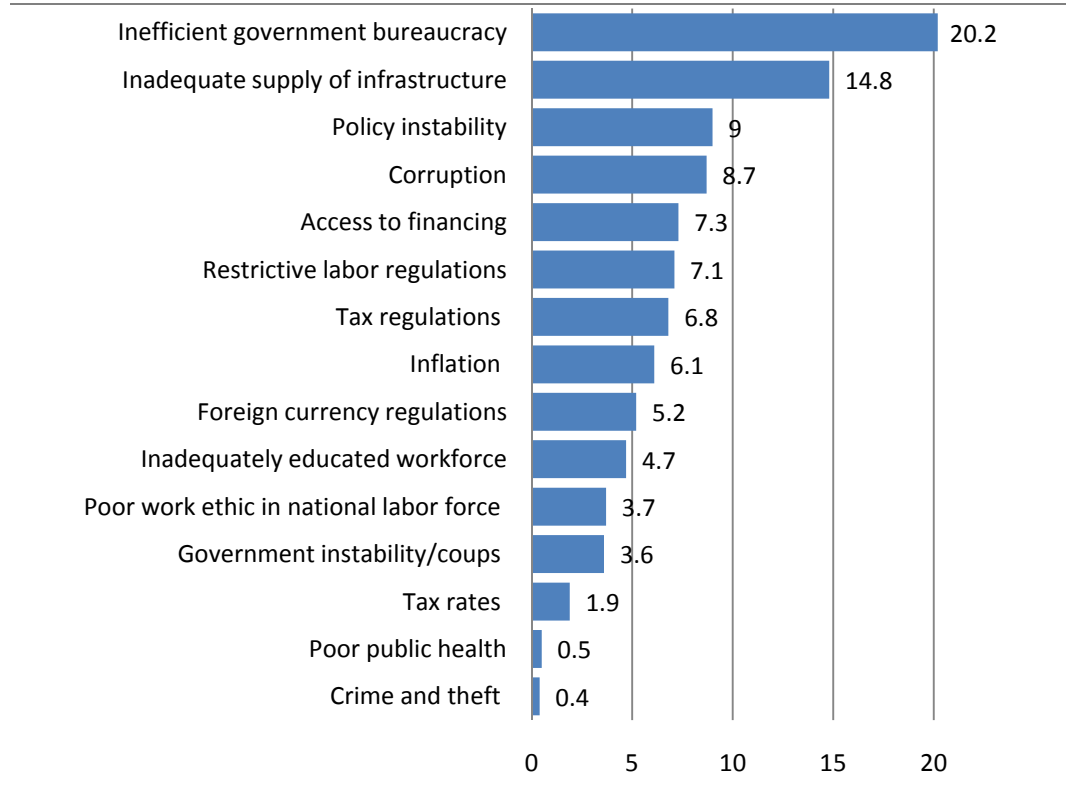
Figure 11, only two indicators score more than 5 – Health and Primary Education, and Market Size. The other indicators swing from 3.20 the lowest to 4.82 the highest, with Technological Readiness and Infrastructure are the lowest. The World Economic Forum also identifies 15 most problematic factors for doing business in Indonesia (**Figure 12**), whereby the country could take into account in putting its limited resources to captivate foreign investment. The second problematic factor confirms the lowest GCI value on infrastructure, while the first problematic factor falls on inefficient government bureaucracy.

²⁷ www.BKPM.go.id

²⁸ Target Investasi 2010. Indonesia masih butuh dana Rp. 1,425.7 triliun in Kompas Newspaper, Selasa 27 Juli 2010.

²⁹ The World Economic, 2009, The Global Competitiveness Report 2009-2010. The World Economic, Geneva, 2009.

Figure 12. The Most Problematic Factors for Doing Business, Indonesia



Source : Schwab, K, 2009

2. Foreign aid in Indonesia

- **Major Influences Affecting the Ways Aid Has Worked**

Current development in Indonesia is very much influenced by the 1997/8 world crisis, which forced President Suharto to step down as the second President of Indonesia. Under Burhanuddin Jusuf Habibie and Abdurrahman Wahid's short period as the third and fourth President³⁰, Indonesia shifted from autocratic to democratic country. Compared to only three political parties eligible to participate in the last election during the Suharto's era, Indonesia witnessed 48 political parties participating in the first national election after President Suharto stepped down. Press now enjoys much greater freedom, and the community has more opportunities to participate in decision making process affecting them. Megawati, the fifth and the first women President of Indonesia continued with several reforms. Under her presidency, the government ratified the National Law on Decentralization in 2001, allowing more decision making takes place at regional level. In 2003, keeping on development reform, the government enacted Education Law which demands allocation of 20% national budget for education sector. All these have significantly affected the ways in which

³⁰ Burhanuddin Jusuf Habibie was sworn as the third President of Indonesia in May 21st, 1998 replacing President Suharto. National election conducted in June 2009 placed Abdurrahman Wahid as the fourth President of Indonesia in October 20th, 1999. He was, then, replaced by Megawati Sukarno Putri in July 23rd, 2001.

development is now implemented in Indonesia, in particular foreign aid management.

Aid becomes a very important component in Indonesia's development activities. It helps the government maintains fiscal stimulant, improves community's welfares, recovers business environment, fulfilling education budget at 20% of annual budget, increase budget for defense systems, and continues bureaucracy reforms.³¹ At some extent, it causes adverse effect to the country, if debt grows beyond capacity of the country to repay at a scheduled rate. Condition in 1997/98 is a clear sample of an adverse effect of aid, whereby GDP grew negatively from 5% in 1997 to minus 13% in 1998. The condition during the crisis, in general, triggered parliament and public's attention on how the government enters foreign aid agreement. Prof. Dr. Didik J. Rachbini raised his concerns and opinion around amount of aid that the government has received.³² Revrisond Baswir, another economist has also raised similar concerns and has put recommendations on aid management.³³ The government is fully aware of such adverse effect of aid and has changed the management of foreign aid dramatically.

The year 2004 could be marked as a decisive point where the government declared its commitment to manage aid better. The government shifted its attitude with respect to foreign aid. The government was no longer regard foreign aid as a financial supplement to domestic resources. Aid is respected as a complementary to national resources - playing a catalytic role in allowing Indonesia to access international knowledge and best practice, to enhance institutional capacity, and bring about strategic systems improvements.³⁴ The 2004 – 2009 National Medium Term Development Plan places a foundation for decision makers to manage aid, loan and grant. It lays down priority development for Indonesia within a particular five years period. It also set a target to reduce aid (both foreign and local) at a maximum of 31.8% of GDP, reducing foreign aid at 14.4% of GDP in 2008 and 12.6% of GDP in 2009.

Further in improving management of foreign aid and in support the decision makers organizing foreign aid to maintain national economic strength and to ensure sustainable national economic development, the government issued two regulations – (1) Government Regulation No. 2/2006 and (2) State Ministry of National Development Plan Regulation No. Per. 005/M.PPN/06/2006. The Government Regulation No. 2/2006 provides general guidance for decision makers to negotiate with lenders, multilateral and bilateral. The State Ministry Regulation was issued as a practical guidelines in planning and proposing foreign aid funded program/ project.

³¹ MoF, 2010, Perkembangan Utang Negara (Pinjaman Luar Negeri dan Surat Berharga Negara). Edisi Agustus 2010.

³² http://ekonomirakyat.org/edisi_3/artikel_1/htm

³³ http://www.khilafah1924.org/index.php?option=com_content&task=view&id=196&Itemid=47

³⁴ Cited from the Jakarta Commitment.

Indonesia' economy is now developed positively since 1999. The country's external debt, however, is still accounted around 30% of GDP in 2008.³⁵ Each year, the government has to allocate around Rp. 58,843.5 billion³⁶ to repay development aid in the form of loan. The value is 8.4% of the government spending and 6.4% of income in 2010. The government surely takes into account such condition, and conducts regular monitoring to avoid paying commitment fees for late program implementation. In addition, the government will only enter an agreement with development partner whenever the technical ministry is ready to commence the program.³⁷

Program of post tsunami reconstruction in Aceh and earthquake in Yogyakarta appeared as factors influencing how aid is generally implemented. Development partners silently assessed their colleagues, and allocated funds in support of good reconstruction programs. There were fifteen development partners – 2 multilaterals and 13 bilateral have worked in collaboration under the multi donor trust funds for Aceh Reconstruction and Rehabilitation.³⁸ Since then, there has been a growing motivation within development partners on channelling their aids, grants in particular, through trust funds. At time of evaluation, there are also several working group sector meetings initiated which potentially enhance harmonization and reduce duplication. Another form of effort which reduces duplication has also taken place whereby some development partners entered an agreement to work collaboratively. In addition, some development partners have entered bilateral cooperation.³⁹

- **Key Actors**

According to Government Regulation No. 2/2006, MoF on behalf of the President of Indonesia hold an authority to sign all of foreign loan and grant agreement. In coordination with Bappenas, MoF ensure that aid does not have adverse affect to the country and helps achievement of development results. Department, non-Department and Regional Government are not authorized to enter any aid agreement or any cooperation which leads to an obligation to have a loan of foreign aid.

In terms of aid coordination, there has been significant changed since CGI was dissolved in 2007. From 1967 to 1991, most aid was coordinated through the intergovernmental group on Indonesia (IGGI) founded and chaired by the Netherlands. IGGI was replaced with Consultative Group on Indonesia (CGI) in 1992, and the program with IMF was terminated in 1993. CGI, however, adopting similar conditions which IMF has applied according to Factsheet, an International

³⁵ Ministry of Finance, 2010, Development of State Debt (External Debt and Government Securities). GN of Debt Management.

³⁶ Ministry of Finance, 2010, Main Data of APBN 2005 – 2010.

³⁷ Sri Mulyani Indrawati as Minister of State for National Development Planning/Chairperson for National Development Planning Agency – Speech, presented at the Break-Out Session II: Aid Effectiveness, at the Pre-CGI Meeting held in Jakarta on January 19th, 2005.

³⁸ MDF, 2009, Five Years after the Tsunami: Continuing the commitment to reconstruction. MDF Progress Report. December 2009.

³⁹ Issue on harmonization is further explained in Section B.2. Effect on the efficiency of aid.

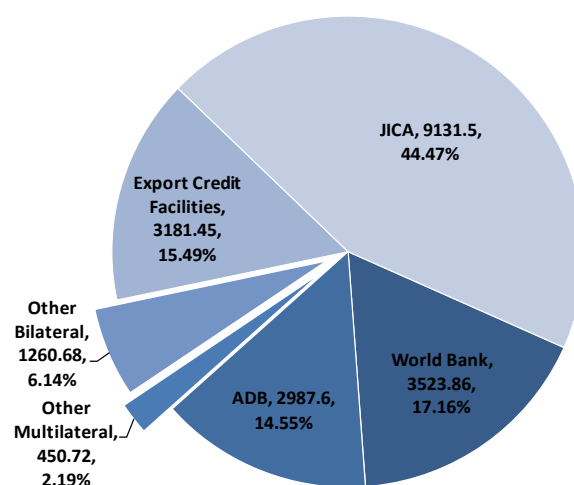
Financial Organization based in United Kingdom (UK).⁴⁰ International NGO Forum on Indonesian Development (INFID) criticized the forum for having a donor driven tendency than Indonesia driven. The Government of Indonesia is currently coordinating and negotiating foreign aid with each development partner.

Despite changes in aid coordination, DAC countries continue providing ODA. Indonesia remains as the top 5 recipients of bilateral ODA from DAC countries since 1987.⁴¹ In 1987/88, as the first recipients of bilateral ODA Indonesia took 3.8% of total ODA or about USD 1,763.31 millions. In 2007/2008, Indonesia moved down to the fourth top recipient after Iraq, Afghanistan and China. Although the percentage reduced to 2% of total bilateral ODA, Indonesia received USD 2,543.38 millions. Performance of Loan in the First Quarter 2010 reported by National Development Agency (Bappenas) shows that Indonesia manages a total loan of USD 9,892.76 millions from DAC countries.

- **Development of Aid**

Report by Bappenas⁴³ shows that Japan International Cooperation Agency (JICA), the World Bank (WB) and Asian Development Bank (ADB) are becoming the major lender for Indonesia. The three development partners share around 76% of the total loan (**Figure 13**). The rest, 23% of total loan is contributed by other multilateral – International Funds for Agriculture (IFAD) and Islamic Development Bank (IDB), nine development partners and export credit facilities. Japan, the World Bank and the ADB remain the top three development partners to Indonesia since 2001, according to a report published by MoF.⁴⁴ In average, share of Japan, the World Bank and the ADB to total loan from 2001 to 2010 are 41%, 15,3% and 15%, respectively.

Figure 13. Profile of Loan and Share According to Sources (in USD million and percentage)



Source : Bappenas, 2010⁴²

⁴⁰ "Utang Makin Menupuk, CGI Jalan Terus" in www.majalah.tempointeraktif.com, Tuesday, January 26th, 2005, 18:33 WIB.

⁴¹ OECD Factbook, 2010. Economic, Environmental and Social Statistics.

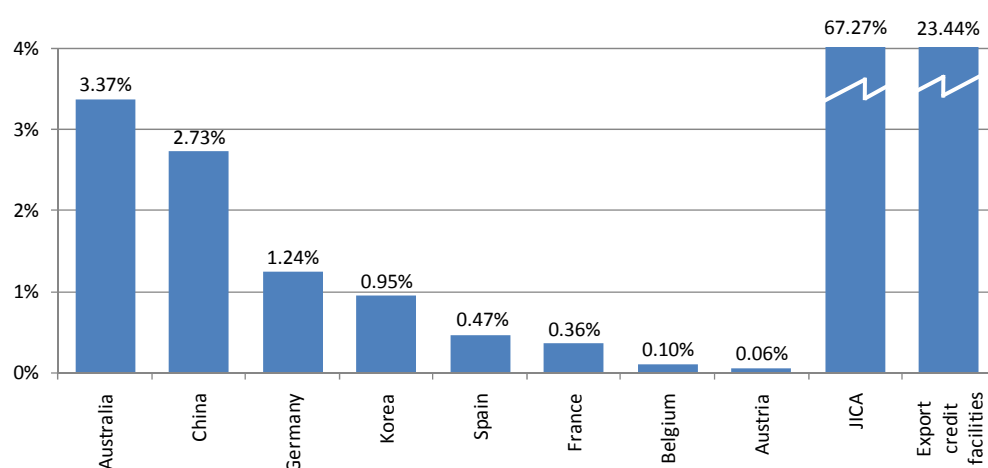
⁴² Bappenas, 2010, First Quarter of 2010: Report on Performance of Loan funded Project Implementation.

⁴³ Bappenas, 2010, First Quarter of 2010: Report on Performance of Loan funded Project Implementation.

⁴⁴ MoF, 2010, Perkembangan Utang Negara. Pinjaman Luar Negeri dan Surat Berharga Negara. Edisi Agustus 2010.

Under multilateral category, the World Bank and Asian Development Bank takes more than 90% of shares of the total multilateral loan, while IDB and IFAD shares 5.24% and 1.23% respectively. Under bilateral category, after Japan, Australia is the second largest development partner for Indonesia, followed with China, Germany, Korea, Spain, France, Belgium and Austria (**Figure 14**). The eight countries' contribution ranges from less than 1% to 3.37% of the total bilateral loan. In line with the amount of loan, three largest development partners – World Bank, Asian Development Bank and JICA supports 13.91%, 15.89% and 26.49% of the total loan funded project, respectively. Four ministries (Public Works, Transportation, Education and Health) and State Electricity Enterprise (PLN) took 64.90% share of total number of loan funded project. 77.50% loan from JICA is made available in support of development program under Ministry of Public Works and Ministry of Transportation.

Figure 14. Percent of Bilateral Loan from DAC Countries, Indonesia



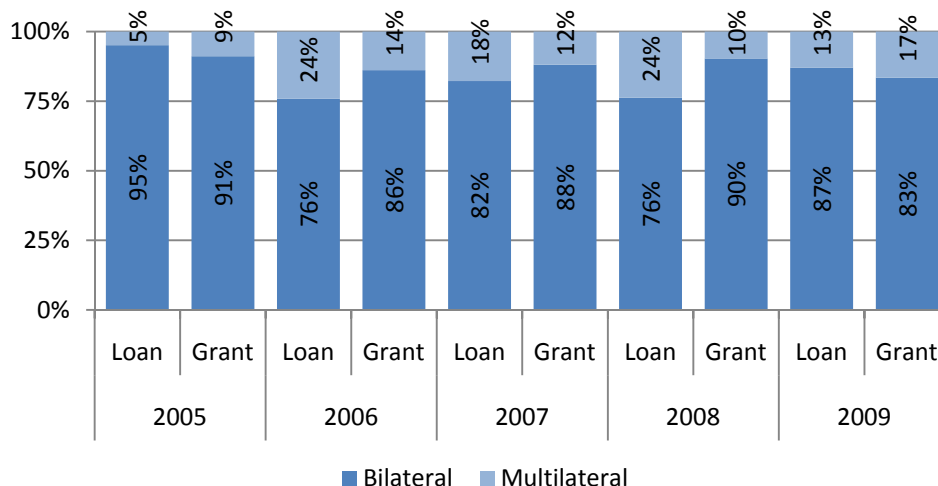
Source : Bappenas, 2010

OCED data indicates that Indonesia receives almost equal amount of loan and grant since 2005, although loan tends to increase starting in 2008. The data further put forward the fact that Indonesia has entered aid coordination more with bilateral than multilateral, if analysis is taken into account the amount of aid (**Figure 15**). Such information on aid suggests that Indonesia might have limited access of aid with low interest conditionality from multilateral because the country has been classified into low middle income group. With regards to type of aid, technical assistance type of aid from bilateral is significantly high compared with that of multilateral with share more than 50% of total aid (**Figure 16**). Aid from multilateral tends to focus on investment type of aid. Sector program type of aid remains small from both – bilateral and multilateral.

In addition to loan from DAC countries, Indonesia also received bilateral loan from non-DAC countries. Indonesia has enjoyed remarkable increment of net ODA from non-DAC countries, from USD 3.41 millions in 2000 to USD 50.09 millions in 2006 (**Figure 17**). From 1990 to 2006, Indonesia has developed cooperation with 15 non-DAC countries. Cooperation with Korea and Kuwait has

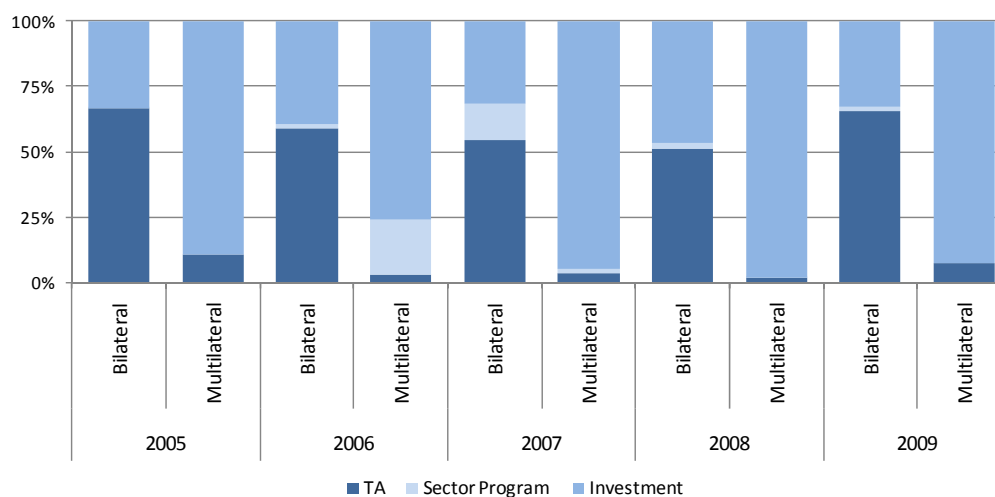
been interrupted from 1990 to 2006, while cooperation with Cyprus, Estonia, Israel, Latvia, Lithuania, Poland, Czech Republic, Thailand and Turkey began after 2000. Saudi Arabia, United Arab Emirates and Taiwan have no longer providing bilateral loan to Indonesia.

Figure 15. Distribution of aid from bilateral and multilateral, Indonesia



Source : Bappenas, 2010

Figure 16. Distribution of aid according to type of aid, Indonesia

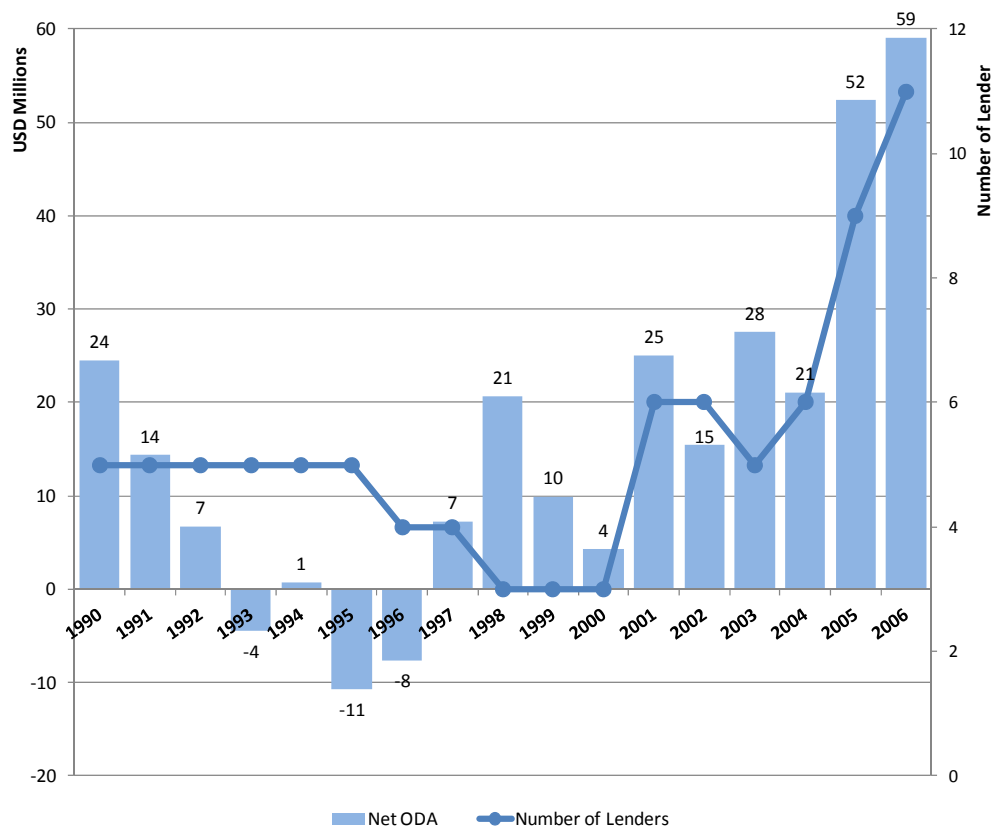


Source : Bappenas, 2010

According to OECD statistics, almost all development partners continue their aid (grant and loan) on health and education sectors. Number of development partners providing grants on health reduced from 14 in 2006 to 11 in 2008. Total value also decreased from USD 199 millions to 182 millions in 2006 and 2008, respectively (**Figure 18**). Six development partners terminate their aid on health, and two development partners enter as new partners. Portrait for education sector is different. Number of development partners increased from 20 to 21, in

2006 and 2008 respectively. The value increased significantly from USD 240 millions to USD 427 millions, in 2006 and 2008 respectively.

Figure 17. Net ODA from Non-DAC Countries, Indonesia, 1990 – 2006



Source : OECD⁴⁵

Data on funds allocation in national budget, however, does not suggest that the government place priority as guided under RPJMN. More aid is allocated for infrastructure, if data from Report on Performance of Loan funded Project Implementation⁴⁶ is used as the basis for analysis (see **Table 2**). Infrastructure takes up 43% of the total loan, whereas education and health supported by 9% and 12% of the total loan, respectively. Two development functions – health and education supporting achievement of MDGs continue receiving low allocation of funds from 2005 to 2010. Health and education receive average of 2.42% and 10.38% of the total budget, respectively (see **Table 3**). A study by UNDP on debt strategies to meet MDGs found out that the government face financing gap in fulfilling basic rights.⁴⁷ The study brings up an estimation of around USD 6 to 7 billion per year is required in support of the government to continue

⁴⁵ OECD Stat 13/05/2008 in Increasing the Harmonization of Bilateral Cooperation between Non-DAC Countries, OECD

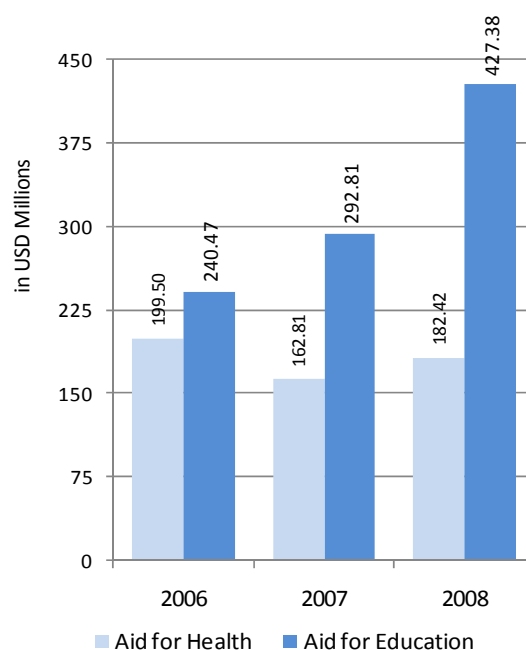
⁴⁶ Bappenas, 2010, First Quarter of 2010: Report on Performance of Loan funded Project Implementation.

⁴⁷ UNDP, 2007, Indonesia: Debt Strategies to Meet the Millennium Development Goals. Draft submitted to the MoF for discussion.

implementing development activities. The study also put a 2005 estimation of UNFPA on the requirement of USD 165.4 million to provide drugs and supplies to implement good quality of reproductive health and family planning.

At regional level, similar phenomenon takes place where budget allocation is directed more to support bureaucracy. This is likely a sacrifice involved in this enjoyment of democracy. In areas where regional income is relatively small, allocation of funds for development activities may be redirected to support regional general election.⁴⁹ Decentralization may also have caused adverse effects on development activities whereby around 66% of regional budget tends to support the operational costs of the bureaucracy⁵⁰. As an example, Jember District allocated 57.4% for direct and indirect personnel expenditures as reported by Djunaidy M (2010).⁵¹

Figure 18. Trend of Aid for Health and Education in Indonesia, 2006 – 2008



Source : OECD⁴⁸

Table 2. Amount of aid for major technical ministries

Technical ministries	World Bank	ADB	JICA	Other Multi lateral	Other Bilateral	Total	Percent of total committed
Education	319.80	78.70	28.10	89.31	210.23	726.14	9%
Health	81.20	205.00	-	-	122.01	408.21	12%
Public Works	1,418.46	1,086.60	249.44	83.00	557.66	3,395.16	43%
Total amount of aid committed	3,302.86	2,586.00	547.45	450.72	1,092.10	7,979.13	

Source: Bappenas, 2010, First Quarter of 2010: Report on Performance of Loan funded Project Implementation

⁴⁸ Aid comprises of disbursement grant and loan from DAC countries extracted from OECD. Stat.

⁴⁹ IHS, 2009, Report on Midterm Evaluation of GoI-UNICEF Collaboration Program.

⁵⁰ Anonim, 2010, "66% Anggaran Untuk Birokrasi: APBN Belum Pro-Rakyat". Suara Pembaharuan Newspaper, July 13th, 2010

⁵¹ M. Djunaidy, 2010, "Penggunaan Dana APBD Jember Boros" in www.tempointeraktif.com

Table 3. Allocation of funds according development function.

Development functions	2005	2006	2007	2008	2009 (APBN)	2009 (RAPBN)	2010 (RAPBN)
General services	70.77%	64.39%	62.65%	77.10%	69.07%	67.82%	68.49%
Defense	5.97%	5.55%	6.08%	1.32%	1.71%	1.68%	2.93%
Security	4.32%	5.40%	5.61%	1.01%	2.02%	1.97%	2.08%
Economy	6.51%	8.70%	8.37%	7.28%	7.94%	9.33%	7.99%
Environment	0.37%	0.61%	0.98%	0.77%	0.98%	0.96%	1.11%
Housing and public facilities	1.17%	1.24%	1.81%	1.80%	2.53%	2.54%	2.97%
Health	1.62%	2.77%	3.17%	2.02%	2.42%	2.36%	2.52%
Tourism and culture	0.16%	0.21%	0.37%	0.19%	0.21%	0.20%	0.26%
Religious	0.36%	0.32%	0.37%	0.11%	0.12%	0.11%	0.13%
Education	8.12%	10.30%	10.08%	7.98%	12.55%	12.56%	11.06%
Social protection	0.58%	0.52%	0.53%	0.43%	0.46%	0.45%	0.47%

Source: MoF, 2009, Data Pokok APBN 2005 – 2010.

3. Implementation of the PD Principles

As previously explained, Indonesia experienced with an extreme change of democratic environment. New government was installed replacing the “New Order”, and economic reforms took place to rescue the country from bankruptcy. Equally important, the government is placing a lot of efforts improving aid management to minimize adverse effect of foreign aid. The earliest effort recorded is establishment of INDRA in 1998 – immediately after the crisis. This was followed with enactment of National Law on Decentralization in 2001 and Presidential Decree on Procurement in 2003 to enhance more active participation of regional government in development and furthering transparency. In 2004, the government developed RPJMN to lay down the strategic direction of the country and placed commitment to manage aid better.

Table 4 above lists several major events which potentially related with aid effectiveness and suggests that Paris Declaration was born on time for Indonesia. The Paris Declaration was inaugurated at time when the government began placing efforts managing aid better. Equally important, the Paris Declaration provides important principles and actions that the government could instantly uses to improve management of development activities, in particular toward aid effectiveness. From different angle of analysis, Paris Declaration might not have any effect on the way the government place efforts toward aid effectiveness until the Jakarta Commitment is signed. For example: Development of Government Regulation No. 2/2006 on Managing Foreign Aid would be considered as a follow up of commitment state in the RPJMN in 2004, rather than effect of Paris Declaration. Similarly, continuous effort revising procurement

systems was a part of government effort in eradicating corruption and follow up of establishment of KPK. Data gathered during the evaluation also suggests that there have not been any formal coordinated efforts made between the government and development partner in furthering Paris Declaration until 2009, confirming the above analysis.

Table 4. Major events related with aid effectiveness

National	Years	International
• IGGI was replaced with CGI	1992	
• Program with IMF was terminated	1993	
• The 1997/98 world crisis	1997	
• INDRA was established	1998	
• President Suharto was replaced by Burhanuddin Jusuf Habibie	1998	
• First national election after the New Order placed Abdurahman Wahid as the fourth President	1999	
• Abdurahman Wahid was replaced by Megawati	2001	
• Government enacted National Law On Decentralization	2001	
• Presidential Decree No. 80/2003 on Procurement was enacted • KPK is established • National law on Education was enacted	2003	
• First direct national election placed Susilo Bambang Yudoyono as the sixth President • National Medium Term Development Planning • Law No. 1/2004 on State Treasury • Law No. 15/2004 on State Audit	2004	
	2005	• Paris Declaration
• Law No. 2/2006 on Managing Foreign Aid • Banking reforms	2006	
• Investment Law No. 25/2007 replacing the Law No. 1/1967 • The six revision of Presidential Decree No. 80/2003	2007	
• Law on Tax enacted	2008	• Accra Agenda for Action
• The Jakarta Commitment • A4DES was established	2009	
• One-stop-shop and single windows launched in Batam	2010	

Realising the important of aid effectiveness agenda, the government took strategic initiative by establishing a roadmap to strengthen aid effectiveness agenda in early 2009. Known as the Jakarta Commitment, the roadmap is aimed at responding a challenge to translate the existing resources into better

development outcomes.⁵² The Jakarta Commitment defines the policy direction towards development effectiveness up to 2014 and beyond. The Government invites 22 development partners to join this commitment and adopt the principles of aid effectiveness as articulated in the Paris Declaration. An Aid Effectiveness Secretariat (A4DES) in Bappenas was established to provide quality assistances in moving forward the aid effectiveness agenda in Indonesia. Under the auspices of Bappenas, the secretariat facilitates six working groups whereby the government and development partner work in collaboration toward aid effectiveness. All working groups have been working and set the target and plan of activities.

Annual report on the Jakarta Commitment clearly indicates that there are still more planned activities to complete under the facilitation of A4DES to satisfy the need of stakeholder and achievement of the Jakarta Commitment.⁵³ Three working groups, Monev, PFM, and Procurement have produced results that could be used by the government to further strengthen aid effectiveness. Monev Working Group, in particular has developed AIMS (aid information management systems) which is useful for enhancing accountability and transparency, as well as monitoring progress of alignment and harmonization. PFM has placed recommendation on grant mechanism that should be incorporated within the process of national and regional budget development. Under Procurement Working Group leadership several discussions with stakeholders were arranged which produced list of identified gaps within national procurement systems. Working Group on DID (Dialogue and Institutional Development) needs to complete their activities, in particular those related to enhancement of coordinated mechanism, while Working Group on CBKM (Capacity Building Knowledge Management) needs to expand its activities beyond development of South to South Cooperation mechanism to building capacity of stakeholder on aid effectiveness.

The annual report also suggests that the government expects more alignment and harmonization from development partner. In particular, the government expects development partner places more effort in using country's systems, reduces number of parallel PIUs and increases number of untied aid in order to increase alignment. For the harmonization, the government expects development partner provides assistance through program-based approach, conducts more joint missions. On the other side, development partner encourages the government to strengthen the systems which allow aid flows through the national systems.⁵⁴

⁵² Cited from the Jakarta Commitment.

⁵³ A4DES (2009). Laporan Tahunan Komitmen Jakarta 2009. Quest for Indonesia's Role as a Middle Income Country.

⁵⁴ Conclusion is based on interview and document analysis such as AusAID, 2009, Annual Program Performance Report for Indonesia, and World Bank, 2009, Investing in Indonesia's Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.

B.2. Effect on the Efficiency of Aid⁵⁵

1. Improvement in the Efficiency of Aid Delivery

Progress of aid delivery toward efficiency provides mixed messages. The government has not placed strategic efforts utilizing development partners' technical comparative advantages in coordinating aid. The government tends to rely on interest rate offered by development partner. Contrary to the process of selecting development partner, the government has developed a mechanism to prioritize development programs which require support from development partner.

On the development partner side, foreign aid in the form of ODA loan is delivered applying almost the same processes. Decision making on the part of development partners is generally made at the Headquarters with Country Office backing up in technical matters. In terms of grant, the process of program preparation and implementation changed very little. Most of grants are implemented directly by the development partner. The government involvement grant funded programs is limited in the preparation phase – consulted during the program design. There is, however, a growing commitment from development partners to ensure less duplication of foreign aid; certain development partners are channelling their aid through trust funds, and/or have worked in collaboration implementing the same program.

a. Less duplication of efforts and rationalized.

On the issue of utilizing development partners' technical comparative advantages as its foreign aid strategy in development, the Government of Indonesia still needs to be more consistent. The decisions to receive foreign aid, particularly loan from a development partner are generally determined by better incentives provided by a particular development partner compared with the others. For instance: the government has accessed loan from one of the largest lenders to allocate to almost half the government ministries, since the lender provides more financial advantages for the government compared to other development partners.⁵⁶ In addition, the government also tends to rely on a "shopping list" known as "Blue Book"⁵⁷ whereby development partners select

⁵⁵ Summary of the findings for Core Q2 is presented in **Annex 4**, in particular the judgment on progress and effect of the Paris Declaration.

⁵⁶ Interview with MoF staff and review of a report on development of aid produced by MoF – MoF, 2010, *Perkembangan Utang Negara (Pinjaman Luar Negeri dan Surat Berharga Negara)*. Edisi Agustus 2010.

⁵⁷ Blue Book is one of the planning documents in the sequential process of planning activities that are funded by external loans and/or grants. The Blue Book contains projects that have been proposed by ministries, regional government agencies and state owned enterprises. The compilation of the project proposals is part of national development planning in the context of attaining the targets of the RPJMN (National Medium-Term Development Plan). Out of the total of project proposals that have been received by the Ministry of National Development Planning/National Development Planning Agency, only proposals that have been deemed as eligible for being funded by external loans and/or grants and proposals that are in accordance with the direction of national development, will be entered into the Blue Book. (cited from Foreword by Paskah Suzeta as State Minister for National Development Planning/Chairman of the National Development Agency in Bappenas, 2009, *List of Medium-Terms Planned of Loans and Grants (DRPHLN-JM) 2006 – 2009*. Third Revision.

one or more development programs that correspondence with their own strategic direction.

Fortunately, the above approach indirectly reduces fragmentation and allows the government uses its limited resources efficient by dealing with fewer development partners. Report on loan performance by Bappenas (2010) confirms such reduction of overall aid fragmentation. The report shows that the majority or 76% of total loan is supported by only three development partners (see **Figure 13**). On the contrary, the above approach does not facilitate processes of division of labour which requires more strategic actions such as dialogue with development partner and defining priority for foreign aid. Lack of division of labour is shown by relatively large number of development partner providing aid in one particular sector or Technical Ministry. For example: Infrastructure development programs managed by the Ministry of Public Works (MoPW) are financially supported by loan of 11 development partners – 3 multilateral and 9 bilateral.⁵⁸ This reality confirms that development partner's comparative advantages have not been conducted. It also further indicates that joint activities between the government and development partner on donor mapping - thus lead development partner arrangement has not been conducted.

Despite the above facts on lack of utilization of development partner's comparative advantages, some progress takes place in terms of coordination among several development partners which lead to aid harmonization and reduce of fragmentation. Program of post tsunami reconstruction in Aceh and earthquake in Yogyakarta appeared as the best place for development partners learning how their development efforts could be harmonized. Development partners silently assessed their colleagues, and allocated funds in support of good reconstruction programs. Fifteen development partners – 2 multilaterals and 13 bilateral have worked in collaboration under the Multi Donor Funds (MDF) for Aceh Reconstruction and Rehabilitation.⁵⁹ Since then, there has been a growing motivation within development partners on channelling their aids, grants in particular, through trust funds.

Further in harmonisation, some development partners have entered bilateral cooperation, such as AusAID that has worked with DfID on health programs, and worked with USAID to rebuild schools in Padang following the Sumatra Earthquake in 2009.⁶⁰ ADB is collaborating with the Dutch forming a Trust Fund to support the Citarum project, a program to improve Citarum River as a means of its flood control.⁶¹

Similar to comparative advantages, division of labour has not been formally used to harmonize efforts. Review of program activity of development partner found

⁵⁸ Bappenas, 2010, First Quarter of 2010: Report on Performance of Loan funded Project Implementation.

⁵⁹ MDF Secretariat, 2009, Five Years after the Tsunami: Continuing the Commitment to Reconstruction. MDF Progress Report December 2009.

⁶⁰ Respond from AusAID to mail survey and press release in www.indo.ausid.gov.au

⁶¹ The information was added by staff of ADB during NRG meeting held from 11 – 13 October 2010.

out that each development partner place effort to overlap one to another, although there are still potential overlaps. For example: Under education sector the World Bank works in collaboration with the Netherlands and EU supporting capacity of local education office improving quality of education.⁶² AusAID supports also education sector, but works closely with MoRA improving quality of Islamic schools. However, under Australia Indonesia Basic Education Program (AIBEP) Pillar II and III⁶³ potentially overlap with BEC-TF supported by the World Bank.

Another form of effort which reduces duplication has also taken place whereby some development partners entered an agreement to work collaboratively. Mail survey arranged for this evaluation found out that AusAID has channelled funds through the UNDP, World Food Program and other multilateral organisations. AusAID put almost USD 42 millions through the World Bank in Indonesia in 2009/2010. The Dutch Government has committed to allocate USD 25 millions under BEC-TF Program (Basic Education Capacity – Trust Funds) to improve the capacity of 50 Districts/Cities of Indonesia, through the World Bank Trust Funds.⁶⁴ Later, the Dutch Government has agreed to add USD 20 millions into the World Bank Trust Funds in support of the BOS Program, of which USD 8.5 million is managed by MoNE to conduct capacity building training for BOS Program stakeholders. The World Bank manages USD 11.5 million to conduct three activities – Capacity Building on Monitoring & Evaluation and Complaint Handling Systems, Independent Monitoring, and the BOS Program Campaign in support of accountable and transparent BOS Program implementation.⁶⁵

The 2008 Monitoring Survey found that 73% of aid to Indonesia from OECD-DAC in 2006 was untied.⁶⁶ The value is close to the average level of untying for countries that participated in the 2006 Baseline Survey, which was 75%. Untying aid to Indonesia is likely move toward expected level, if the above efforts on harmonization continuously take place and improve in their quality. All those efforts potentially have greater effect on increasing number of untying aid to Indonesia. Combination of quality of efforts on harmonization and the number of untying aid alarm the government to place more efforts and resources on conducting development partner comparative advantages and leading on division of labour processes, if the government aims at having more untying aid.

⁶² Information on BEC-TF Program in web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:22396850~menuPK:2099423~pagePK:64027988~piPK:64027986~theSitePK:226309,00.html

⁶³ About BEP in www.bep.or.id.

⁶⁴ Information on BEC-TF Program in web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:22396850~menuPK:2099423~pagePK:64027988~piPK:64027986~theSitePK:226309,00.html

⁶⁵ Reported by a BOS Program consultant working for MoNE during interview.

⁶⁶ Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country (OECD, 2008, Survey on Monitoring the Paris Declaration: Making aid more effective by 2010). A government representative considers, however, all aid is tied. The representative’s statement was based on the fact that all aid has conditionality.

b. Reformed and simplified policies and procedures.

Data collected from mail survey shows that joint efforts in shaping the country strategy has been practised among prominent development partners. The Paris Declaration measures the extent to which development partner are conducting joint coordinated missions and merging their analytical work as proxy for harmonization. In 2009, ADB has invited other development partners as observers in a Joint Country Portfolio Review Mission and will conduct similar event in 2011. AusAID has initiated joint review mission and program with the government and other development partners like EU and World Bank.

On aspect of analytical works, the mail survey shows that several development partners have jointly conducted analytical works. AusAID contributes funding to World Bank studies to streamline efforts. For certain purposes AusAID has been using the World Bank analysis that is available on their website. As part of the Health Systems Strengthening Program (HSS) design, AusAID arranged a series of roundtables that brought development partners, the government and other stakeholders together around specific issues – workforce, financing and gender.

Initiative of developing thematic working group also shows that effort on harmonize arrangements takes place. For example: Under informal coordination, GTZ invited several development partners discussing health issues. Similarly, the World Bank initiated a meeting between development partners and the government using the Education Support Working Group. There has been a health sector review conducted jointly by the government and several development partners - AusAID, the World Bank, the ADB and GTZ.⁶⁷ Working group on procurement in which the ADB, the World Bank and other development partners jointly make efforts to harmonise their procurement system and procedures is active.⁶⁸ Several sector working groups, such as education and health also take place.⁶⁹ Lead by Bappenas, working group on disaster risk reduction operational involving BNPB (*Badan Nasional Penanggulangan Bencana* – National Agency for Disaster Management) and two major development partners – the World Bank and UNDP and.⁷⁰

The 2009 Online Survey and 2008 Monitoring Survey confirm the above findings. Joint mission as an effort to improve harmonization and to reduce fragmentation remains relatively low (below 50%), although the figure increased from 13% in 2007 to 34% in 2009. Confirming the finding from mail survey, joint analytical work increased progressively from 45% in 2007 to 80% in 2009 (**Figure 19**).⁷¹ One major reason as stated by a development partner is each mission has specific

⁶⁷ AusAID, 2009, 2008 Annual Program Performance Report for Indonesia.

⁶⁸ The information was added by staff of ADB during NRG Meeting held from 11 to 13 October 2010.

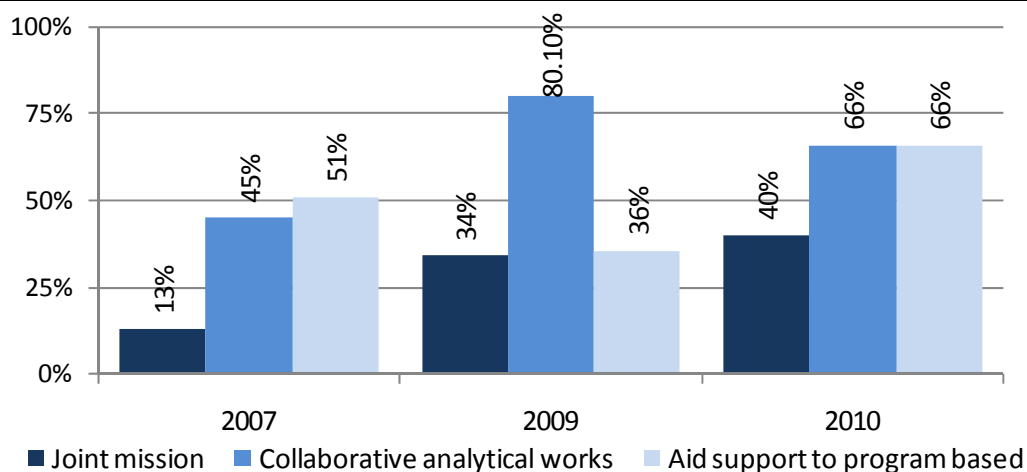
⁶⁹ Results of mail survey and interview with staff of development partners.

⁷⁰ Rahardjo, B., 2009, Brief report for Universalis on information gathered from interview with stakeholders of GFDRR in Indonesia during evaluation of GFDRR.

⁷¹ The figures are 20% and 58% for joint mission and analytical works respectively, if the World Bank and Japan are excluded from the analysis.

purpose, and harmonizing analytical work is more realistic. It requires a lot of resources, and therefore it is not realistic to merge two or more missions.

Figure 19. Trend of effort in merging mission, analytical works and aid support to program based



Source: Data for 2007 is drawn from OECD, 2008, Survey on Monitoring the Paris Declaration: Making aid more effective by 2010.

Data for 2009 is drawn from Bappenas, 2010, Online survey 2009. Preliminary Aid Effectiveness analyses for Paris Declaration Monitoring 2010. (Data from the World Bank and Japan has not been included)

Data for 2010 is target of Paris Declaration.

Paris Declaration also sets indicator 9 to examine the extent to which development funds are disbursed through program-based approach (PBA).⁷² The indicator is a proxy to measure harmonization. The 2009 Online Survey and 2008 Monitoring Survey found that support to PBA is relatively low, and below the target - 66% (**Figure 19**).⁷³ Moreover, the figure of 2009 Online Survey is lower than that of 2007.⁷⁴ This explains that shifting policy in support of program based approach has not been fully practiced, despite effort made in harmonizing arrangements through working group. Development partner require further actions to materialize their commitment toward harmonized arrangements. On the other side, the government needs to place more leadership in making the working group active and productive, since the government will benefit from harmonized arrangements.

⁷² The definition is cited from Bappenas, 2010, Online Survey 2009. Preliminary Aid Effectiveness Analysis for the Paris Declaration Monitoring Survey 2010. A Draft Report.

⁷³ Paris Declaration values highly common arrangement made by development partners in making aid more effective. Paris Declaration measures use of program-based aid modalities which can contribute to common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows (Indicator 9). In addition, Paris Declaration measures also collaborative works to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (Indicator 10).

⁷⁴ The figure is 52%, if the World Bank and Japan are excluded from the analysis.

2. The Management and Use of Aid

The management of foreign aid in the GOI has changed dramatically since the 1997/98 world crisis. The government and development partners are on the stage of improving quality of their joint-management of aid. More development partner aligns its aid with the national development strategy and use of country systems. This includes global programmes such as Global Funds for TB, Malaria and AIDS. On the other side, the government has strengthened its RPJMN and has been improving its capacity to implement results-driven development activities. In addition, the government with support from development partner continuously places efforts to eradicate corruption and improve quality of transparency and accountability.

a. Increased alignment of aid with partner countries' priorities, systems and procedures.

The findings below suggest that alignment has been moving into the right directions, where development partners are aligning their development program with the Indonesia's development strategy. Efforts of development partner toward using local systems and procedures progresses positively, although some development partners are reluctant to apply. The government is fully aware of the condition, and consistently put effort reforming its country systems and procedures to match with international standard practices.

All development partners claim of using the GoI's RPJMN in developing their country program plan. The Government of Australia clearly states of aligning its Australia Indonesia Partnership Country Strategy (AIPCS) 2008 – 2013 with the RPJMN.⁷⁵ The AIPCS has directed the attention of the Australia Indonesia Program to Social Protection programs, as reflected by a USD 215 millions program designed for the next 5 years because of the changing priorities in the Indonesian Government. As a result of negotiations with the government and other development partners in 2007, GTZ has shifted its development cooperation focusing on Climate Change, Private Sector Development, and Good Governance/Decentralization (in particular anti corruption).⁷⁶ GTZ further states that the renewed priority area setting takes influence on the changed role of Indonesia in a global and regional context.

In practice, development partners are considering partner country's development and their global foreign aid strategies in preparing their country strategy. The Australian Government is very clear in this regard by stating: *"The Australian Government's overseas aid program is a Federal Government funded program that reduces poverty in developing countries. The program is managed through the Australian Agency for International Development (AusAID) which reports directly to the Minister for Foreign Affairs. The overall aim of Australia's aid program to Indonesia is to serve Australia's national interest through assisting Indonesia reduce the incidence of poverty and achieve sustainable*

⁷⁵ AusAID, 2009, 2008 Annual Program Performance Report for Indonesia.

⁷⁶ About GTZ in Indonesia in www.gtz.de/en/weltweit/asien-pazifik/indonesien

*development.*⁷⁷ In addition, development partners' country strategies have always been influenced by global issues as well. For example: water supply and sanitation decade launched in 1980's and eradication of HIV/AIDS in 1990's had encouraged development partners allocating their foreign aid on those issues. In early 2000's avian influenza has triggered allocation of development partner's aid on such issue.

Paris Declaration uses indicator 3 - aid is reported in the country's system as proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The 2009 Online Survey and 2008 Monitoring Surveys show the progress moves into the right direction. It increased from 70% (value from 2008 Monitoring Survey) in 2007 to 80% (value from 2009 Online Survey) in 2009, with target of 85 in 2010. This suggests that development partner is not only based on RPJMN in developing its national strategy as explained above. More importantly, development partner continues aligning aid flows with national development priorities and connect aid program with country policies and processes as has been reported in the 2008 Monitoring Survey.

In terms of utilization of the host country systems and procedures, alignment progresses relatively slow. Development partners confirm that host country systems and procedures have not been widely used. UN agencies use FACE, a UN financial system in all development programs in Indonesia.⁷⁸ AusAID has decided to use its own system (Commonwealth Systems), after conducting a fiduciary risk assessment for its AIPMNH (Australia Indonesia Program for MNH).⁷⁹ There has not been any joint works between the government and development partner reported in moving toward using the host country systems and procedures until recently – after the establishment of A4DES.⁸⁰

AusAID has been one development partner that proactively moves toward adopting local systems and procedures. The 2008 Annual Program Performance Report for Indonesia underlines that in designing Australia Indonesia Basic Education Program (AIBEP) in 2005/2006, AusAID adopted local system in channelling a AUD 200 million grant to assist the government rehabilitate and construct new school buildings. AIBEP improved the donors' perception of the GOI systems, and facilitated the approval of a successor program delivering 75% of AUD 500 millions through the GOI systems. The World Bank also adopts adjusted⁸¹ local procurement system in support of community-based program under WSSLIC, where community received funds directly to construct water supply and sanitation facilities. Under BEC-TF, the World Bank conducted a

⁷⁷ What AusAID in Indonesia in www.indo.usaid.gov.au

⁷⁸ Anonim, no year, Pedoman Umum Kerjasama RI – UNICEF Periode 2006 – 2010 in <http://khppia.org/index.php?jmlP=2&hal=8&keyMenu=1&keyIdHead=0&keyIdHead1=0&jmlP=3>

⁷⁹ AusAID, 2009, 2008 Annual Program Performance Report for Indonesia.

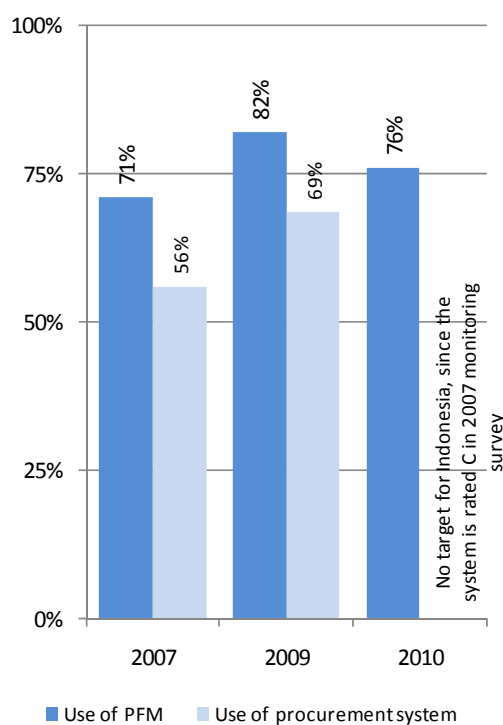
⁸⁰ Interview with MoF staff.

⁸¹ Under current regulation on procurement, direct appointment is applied for transaction below Rp. 100 millions. Under WSSLIC, value of construction may exceed to Rp. 200 millions. (Data provided by staff of the World Bank involves in the implementation of WSSLIC)

program assessment covering also PFM, and has included capacity building in the program component.⁸² ADB has also partially allowed the use of Presidential Decree No. 80/2003 on Procurement in some of the procurement under ADB funded projects/programs.⁸³

The recent monitoring survey shows fair increment of using national systems and procedures (**Figure 20**). The figure also confirms previous observation whereby the systems and procedures have not been fully accepted by development partner. The 2008 Monitoring Survey has highlighted such challenge. In terms of PFM, the Survey suggests the government to improve the skills of government officials in dealing with the accountability requirements of some donors. The Survey Report further suggest that in order to persuade donors to make greater use of these systems, Indonesia will need to make further improvements in internal controls, accounting processes, and punctuality of reporting. In terms of PFM, the Survey Report underlines that improvement progresses significantly whereby the government has enacted several regulations in relation to budgeting and financial management including the State Finance Law, the State Treasury Law and the State Audit Law.⁸⁴

Figure 20. Trend of utilization of Indonesia's systems



Source: Data for 2007 is drawn from OECD, 2008, Survey on Monitoring the Paris Declaration: Making aid more effective by 2010. Data for 2009 is drawn from Bappenas, 2010, Online survey 2009. Preliminary Aid Effectiveness analyses for Paris Declaration Monitoring 2010. Data for 2010 is target of Paris Declaration. No target for procurement system, since the system is rated C in 2007 monitoring survey.

In terms of procurement systems, significant efforts have placed by the government to improve the quality. The government has made six revisions to the President Decree No. 80/2003 on Procurement from 2003 to 2007. In 2010, the government further improved the procurement systems by issuing President Decree No. 54/2010. Development partner is fully aware of the above improvement of the systems, but the 2008 Monitoring Survey highlighted

⁸² The World Bank, 2009, Investing in Indonesia's Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.

⁸³ The information was added by staff of ADB during NRG meeting held from 11 to 13 October 2010.

⁸⁴ The laws include Law No. 17/2003 State Financial, Law No. 15/2004 on State Audit, and Law No. 1/2004 on State Treasury.

development partner's concerns about the implementation of procurement regulations and the possibility of corruption.⁸⁵ The Survey further highlighted development partner system for accountability has placed challenge for development partner using national procurement systems. Development partner applies safeguards such as independent audit, payments in tranches (subject to satisfactory progress), and the use of country procurement systems within multi-donor trust funds (MDTFs), whenever the country systems are used. Despite issue around accountability of local procurement system, utilization of local system tends to increase as shown in **Figure 20**. This indicates clearly that development partner has used local system, and is likely to learn and understand more about the system as the case of AusAID for its AIBEP.

Drawing from mail survey on the issues of conditionality, conclusion could be made that the government and development partners have always discussed the terms and conditions of loan openly. Both parties, therefore, are aware of the advantages and risks of utilizing country systems and procedures, and mutually decide the systems that will be used to ensure better use of loan. Statement of the two largest development partners in Indonesia reflects the process of decision making of loan:

ADB: "ADB's conditions on aid are generally developed in close consultation with the Government to ensure ownership, and with other donors to avoid duplication and, where possible, increase synergy. ADB and Bappenas are working together to identify the key trigger for possible improvement to resolve this issue."

AusAID: "No decisions on conditions are made without approval from the Government of Indonesia. If AusAID sets conditionality to its aid program, it tries to use existing processes set up by the World Bank to reduce administration burden on Government of Indonesia."

There have been conditions, however, where the government has less bargaining power during negotiation. An audit performed by BPK verifies that in providing foreign loan, the development partners sometimes proposing prerequisites and requirements that place pressure to the government (Hanik, 2009). The current situation whereby most multilateral and bilateral aid apply conditionality, specifically those requiring consultant and materials from development partner's country has triggered opinion among the government officers that all aid is tied. Moreover, it does not reflect equal partnership, but donor-recipient relationship. On the other hand, a development partner considers conditionality in a lending-borrowing relation is a common practice.

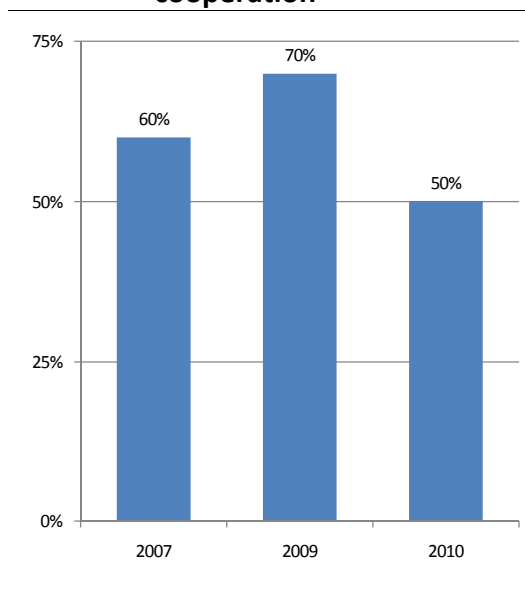
In effort toward using local systems and procedures, several development partners have placed effort assisting the government improving its capacity. ADB has been supporting capacity building on strengthening public financial

⁸⁵ OECD (2008). 2008 Survey on Monitoring the Paris Declaration: Making Aid more Effective.

management through loan projects and accompanying TA and grants.⁸⁶ For example: Audit and procurement through loan SCBD and STARSDP, local government finance and governance reform program. More recently, a Capacity Development TA supporting the move towards country procurement system has been approved. Another capacity development TA from ADB to enhance project performance management in Bappenas is also in the pipeline for approval. BECTF⁸⁷ is another program whereby the World Bank, the Netherlands and EU place resources to improve local systems.

Paris Declaration recognizes the important of the above capacity development efforts in making aid more effective through promotion of ownership and development of national systems. Paris Declaration uses technical cooperation as a proxy for capacity development and then assesses the extent to which this technical cooperation is coordinated so that it can have maximum impact. The 2009 Online Survey and 2008 Monitoring Surveys show significant increase of coordinated technical cooperation (Figure 21). The 2008 Monitoring Survey, however, alarms a wide disparity among development partner. Some major partners coordinated 100% of the technical assistance such as Germany, Japan, and the UN. The figure for the World Bank, another major partner, was 98%. However for almost one-half of partners less than 10% of technical cooperation is coordinated.

Figure 21. Trend of effort in coordinated technical cooperation



Source: Data for 2007 is drawn from OECD, 2008, Survey on Monitoring the Paris Declaration: Making aid more effective by 2010. Data for 2009 is drawn from Bappenas, 2010, Online survey 2009. Preliminary Aid Effectiveness analyses for Paris Declaration Monitoring 2010. (Data from the World Bank and Japan has not been included) Data for 2010 is target of Paris Declaration.

b. Sufficient integration of global programs and initiatives into partner countries' broader development agendas.

There have been indications that global programs and initiatives are fully supporting Indonesia's development strategy according to information on Global Funds for AID, TB and Malaria (GFATM) and Global Facility for Disaster Reduction and Recovery (GFDRR). GFATM align very much with the national and sector strategies. The 2009 – 2014 RPJMN specifically addresses issues of TB, malaria and AIDS under health sector, and set the targets, indicators of achievement and

⁸⁶ Information was added by staff of the ADB during NRG meeting held from 11 – 13 October 2010.

⁸⁷ The World Bank, 2009, Investing in Indonesia's Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.

time frame. The government values GFATM grants as additional funding that filled the gap of the national budget and contributed to the effort of poverty elimination and controlling AIDS, TB, Malaria as to the achievement of MDGs in Indonesia.⁸⁸

More importantly, at the implementation level the program management mechanism involves the MoH intensively which facilitates alignment of all program activities to national strategy. In the stage of planning and preparation of Global Fund technical proposal, the MoH and other principal recipient candidates worked very closely under the coordination of Country Coordination Mechanism (CCM) office. The CCM members come from the government, civil society organizations and partners from multilateral and bilateral development agencies, as appointed by the Ministry of Health. During an extended period (roughly around 6 – 10 months) prior to the proposal submission deadlines, alignment and harmonization of the proposed activities expressed in various proposals were discussed openly in a series of technical and financial officers' meeting. In addition, Chair of the current CCM is Dr H.A.Chalik Masulili MSc, Adviser to the Minister of Health⁸⁹ which potentially enhances the program alignment.

GFDRR could be taken as another sample to assess integration of global program into Indonesia's development agenda. GFDRR is similar with that of GFATM in its alignment with the Indonesia's disaster management strategy. In his presentation in the 2nd 2nd Session of Global Platform for Disaster Risk Reduction Geneva, Switzerland, 16-19 June 2009 Hadi (2009)⁹⁰ stated that RPJPN highlights the various disasters caused by extreme climatic events in Indonesia, including floods and droughts that have brought about heavy losses to national economy. He further brought up RPJMN 2005 – 2009 which underlines strategy for mainstreaming climate change and DRR. In addition, the government inaugurated Law No. 24/2007 on Disaster Management (DM) and the government declared Disaster Risk Reduction (DRR) a development priority and this has resulted in substantial increases in budget allocations at national and sub-national level for DM and DRR and distinctions between DM and DRR are becoming evident in budget lines in 2007.⁹¹ The annual budget allocation for DM and DRR increased significantly from Rp. 221.8 billion in 2007 to Rp. 2,358.85 billion in 2009.⁹²

⁸⁸ Cited from presentation of the Minister of Health on support of GFATM to Indonesia's health sector strategy (available in Secretariat of CCM Indonesia).

⁸⁹ Brief information on GFATM in Indonesia – prepared by Secretariat of CCM Indonesia.

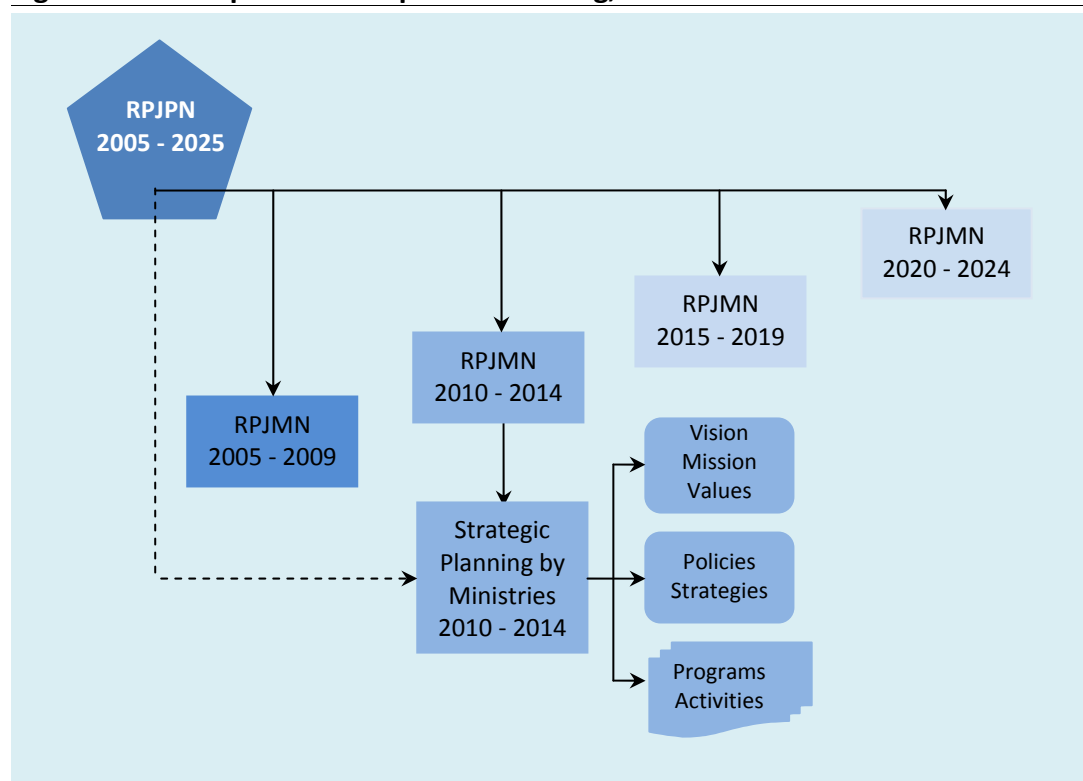
⁹⁰ Hadi, S., 2009, Mainstreaming Disaster Risk Reduction in Development Planning and Budgeting System: Case of Indonesia. 2nd Session of Global Platform for Disaster Risk Reduction Geneva, Switzerland, 16-19 June 2009.

⁹¹ UNDP and BNPB, 2009, Lessons Learned: Indonesia's Partnership for Disaster Risk Reduction, The National Platform for Disaster Risk Reduction and the University Forum.

⁹² Hadi, S., 2009, Mainstreaming Disaster Risk Reduction in Development Planning and Budgeting System: Case of Indonesia. 2nd Session of Global Platform for Disaster Risk Reduction Geneva, Switzerland, 16-19 June 2009.

In general, as a member of the international society, the Government of Indonesia has incorporated global issues, such as gender disparity, poverty, climate changes and human rights into its RPJMN. In line with the RPJMN, the government has also developed a National Program for Indonesian Children (*Program Nasional bagi Anak Indonesia – PNBAI*) transforming a World fit for Children declared in 2002 into actions. The current RPJMN (2010 – 2015) specifically places child protection as the country strategic direction, and reducing gender disparity continues as an important program component across sectors. Technical Ministries develop their Strategic Plans (*Rencana Strategis – Renstra*) comprising of vision and mission, policies and strategies, and programs and activities based on RPJMN – conceptually depicted in **Figure 22**. Conceptually, consistent efforts in addressing global and local issues takes place at technical ministry’s level, because RPJMN has always been a major foundation in designing development program.

Figure 22. Conceptual Development Planning, Indonesia



The long history of the government’s concern over global issues is shown by the President establishing the Junior Ministry for Women’s Roles and the State Ministry for Supervision of Development and Environment in 1978. In 1983, the Junior Ministry was upgraded to a full Ministry level to help the government in developing policies to improve women’s roles in the national development. In 1999, the ministry was transformed into Ministry of Women’s Empowerment with the added roles of fulfilling children rights. Later in 2009, the ministry’s capacity to fulfil child rights was strengthened by establishing two Deputies on child rights – Deputy for Development and Deputy for Child Protection.

Government's attention to HIV/AIDS issues has been demonstrated by the formation of the National Aids Commission in 1994, of which structure was renewed in 2006. In most of its development reports, the government has used sex disaggregated data to describe gender disparity, the same as regional disparity to increase people's awareness of both international and national issues. Recent MDGs report reflects practises conducted by the government in using sex disaggregated data.

UN agencies have appeared as critical partners for the Government of Indonesia in ensuring the country's continuing attention (thus resources allocation) to global issues. UNICEF has been working with the government at the national and regional levels since 1950, beginning with emergency relief. Using KHPPIA as a vehicle, UNICEF helps the government takes into account the fulfilment of child rights in preparing the development plans – at the national and regional levels. UNDP and UNICEF help the government achieving its national and MDGs targets through the implementation of innovative programs, providing technical assistants in preparing policies and building local capacity. Other UN agency - UNIFEM supported the government in using sex disaggregated data as the basis for development planning from 1995 to 2000. The UN has also elected Special Ambassador for MDGs to help the government monitor the progress of MDGs achievements and ensuring resources are placed to tackle global issues. Almost all development partners have continued giving attentions to health and education supporting the government achieving MDGs – thus their financial support since 2006 (see **Figure 16**).

c. Stronger national strategy.

As explained in B.1. Paris Declaration in Context, from 1967 to 1991, most aid was coordinated through the intergovernmental group on Indonesia (IGGI) and was replaced with Consultative Group on Indonesia (CGI) in 1992. After CGI was dissolved in 2007, aid coordination has been shifted into "one-on-one" or "G to G" relationship. The coordinating role remains strong at Ministry of Finance and Bappenas. Under direction of Government Regulation No. 2/2006, both institutions have stronger foundation to lead coordination with development partners. This strong leadership is further enhanced by appropriate technical back-up from Technical Ministries and regional government as guided by the Ministry Regulation No.5/2006 on Procedures for planning and proposing program funded by foreign aid and Government Regulation No. 54/2005 on Aid for Regional Government. The current "one-on-one" or "G to G" relationship puts the government and development partners at equal level, in which the government is very comfortable, although in practice equality hardly exist as explained in **sub-section 2a**. Coordination capacity of both institutions might be developed from long involvement in discussions and negotiation of loan since the Gol-Development Partner coordination was managed under IGGI and CGI. Support from development partner is likely enhancing also capacity of the government in aid coordination. A development partner states: *"Indonesia is a democratic middle-income country and as such has the full power to lead the*

agenda of development in its country where donors are partners. The leading role is fully accepted.”

Unfortunately, the government’s leadership remains weak at the Technical Ministries’ level. Technical Ministries tends to rely significantly on expertise of development partners in preparing technical proposal. Even, program planning is frequently developed by development partners with very little involvement of the government, except higher level staff – Director and Director General’s levels.⁹³

The government’s strong coordination role is further shown by initiating establishment of a roadmap for aid effectiveness agenda in early 2009. Known as the Jakarta Commitment, the roadmap aims at responding the challenge to translate the existing resources into better development outcomes.⁹⁴ Using the Jakarta Commitment, the government defines the policy direction towards development effectiveness up to 2014 and beyond. The Government has also managed to invite 22 development partners to join this commitment and adopt the principles of aid effectiveness as articulated in the Paris Declaration. Establishment of A4DES managed by Bappenas in 2009 indicates further stronger initiative in aid coordination from the government. The Secretariat complements the Jakarta Commitment by providing quality assistance in forward moving the aid effectiveness agenda in Indonesia.

The Secretariat coordinates six working groups (see **Figure 23**), facilitating the government and development partners dealing with emerging issues affecting aid effectiveness. This A4DES model potentially support efforts of the government and development partner toward aid effectiveness. The structure places both parties at equal partnership whereby expertise from both parties could work in collaboration on an agreed issue of aid effectiveness, which allows changes in number of working group according to the needs. At the same time, it is an arena to test leadership of the government in leading the coordination of aid for development in Indonesia, as well as to test development partner toward changing their behaviour – aligning their country strategy with the Indonesia development strategy and improving collaboration works among development partners to improve harmonization.

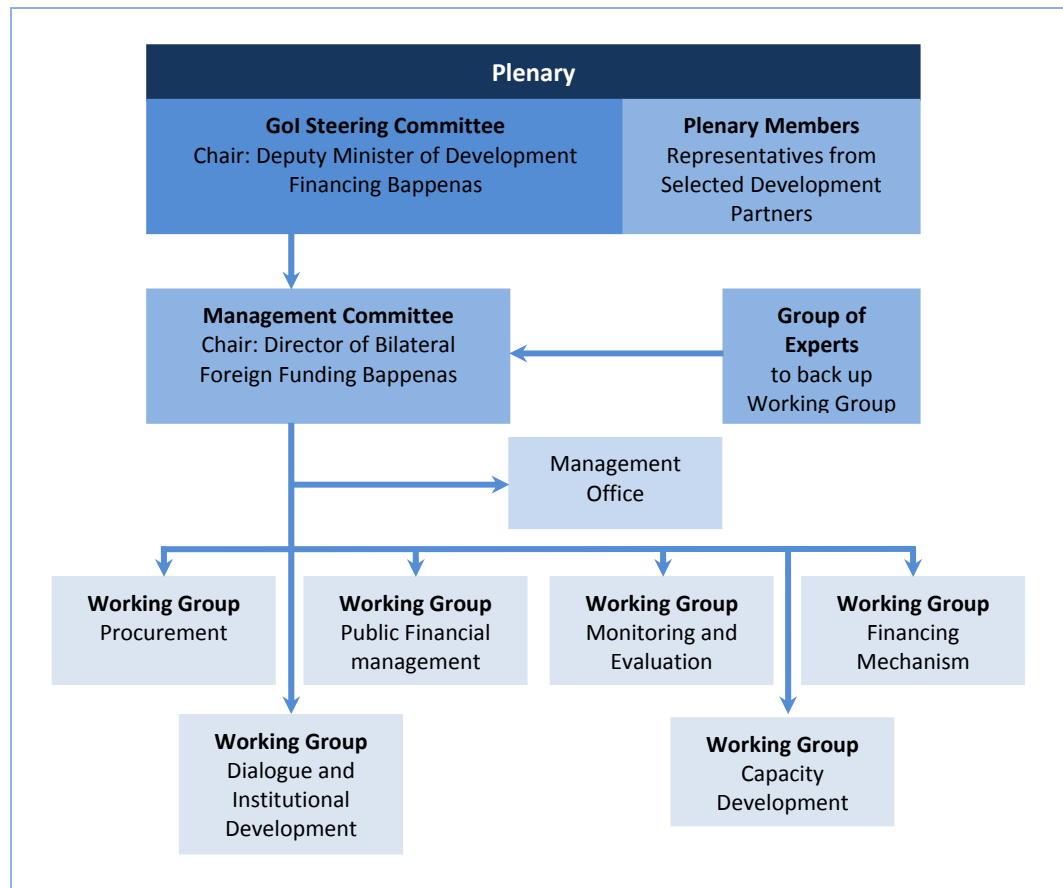
In terms of development strategy, the Government of Indonesia has developed a reasonably development planning guided by Law No. 17/2003 and No. 1/2004, the government must develop a five-year midterm development plan. The government established a foundation for the country’s 20 years development – from 2005 to 2025 called the National Long-term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional - RPJPN*) in 2004. RPJPN is divided into four stages of Midterm Development Plan (*Rencana Pembangunan Jangka*

⁹³ Utilizing BOS Program and WSSLIC as sample and statement from several development partners. There have been indications whereby development partner actively helping the government to accelerate approval of aid and disbursement.

⁹⁴ Cited from the Jakarta Commitment.

Menengah Nasional – RPJMN), each determines the focus and direction of national development every five years. Moreover, RPJMN includes indicative budget requirement for the five-year development activities. For each RPJMN the government has set the goal that development activities should achieve as described in **Figure 24**. Each RPJMN will be used by the Technical Ministries in formulating their development activities and in setting the targets correspond with their capacity.

Figure 23. A4DES Organization Structure



The year of 2004 is a decisive point where the government declared its commitment to manage aid better. The government changed its attitude with respect to foreign aid. The government no longer regards foreign aid as a financial supplement to domestic resources. Aid is respected as a complementary to national resources - playing a catalytic role in allowing Indonesia to access international knowledge and best practice, to enhance institutional capacity, and bring about strategic systems improvements.⁹⁵ The first RPJMN running from 2005 to 2009 establishes a foundation for decision makers to manage aid - loan and grant. The first RPJMN sets a target to reduce aid (both foreign and local) at a maximum of 31.8% of GDP, reducing foreign aid at 14.4% of GDP in 2008 and 12.6% of GDP in 2009.

⁹⁵ Cited from the Jakarta Commitment.

Figure 24. The Four Stages of RPJPN, Indonesia

			RPJMN 2020 - 2024
		RPJMN 2015 - 2019	Creating an independent Indonesian society, modern, integrity and prosperity through the acceleration of the development in all sectors with a solid economic structure based on competitive advantage.
	RPJMN 2010 - 2014	Enhancing the overall development with emphasis on building economic competitive advantage based on available natural resources, qualified human resources, as well as the ability of science and technology.	
RPJMN 2005 – 2009	Strengthening the restructuring of NKRI, improve the quality of human resources, building the capacity of science and technology, strengthening the economic competitiveness.		
Restructuring the NKRI (Republic Indonesia) to build a safe and peaceful Indonesia, fairly & democratic, with a better welfare.			

There is not much (in principle) changes in the way the national development plan has been constructed. The Government of Indonesia continuously combines bottom-up and top-bottom approaches, where community-based development plans made at the village level are integrated into the national development plan in a national development planning coordination meeting/mechanism called *Musrenbang (Musyawarah Perencanaan Pembangunan)*. This planning model has long been implemented by Gol. Even though significant changes have not been enacted in the planning process in general, a substantial shift had been noted in setting more realistic targets in RPJMN which emphasize on quality issues in comparison to the old RPJMN, focusing more in quantity. For example: in the Education Sector, the main target is not merely access to schools, but access to quality education.

The above programming practice obviously indicates a strong linkage between RPJPN, RPJMN and annual planning by technical ministry (known as *Renstra*). Combining with RPJMN, *Renstra* and Law No. 2/2006, the government has truly strong foundation to perform aid coordination – ensuring aid is aligned with national priority. On the other side, development partner should also be able to take advantage from the national development planning and adjust its foreign aid strategy to align with national priority.

Generally, the government has to go through 5 stages of consultation with the parliament in preparing and implementing annual development program activities, according to Law No. 17/2003 on State Financing and No. 27/2009 on Parliamentary. The 5 stages of consultation include preparation of APBN, approval of APBN, revision of APBN, report on progress of development program

implementation, and report on completion of development program implementation.⁹⁶

During the preparation stage, each commission will discuss with its partner technical ministries on annual development planning and budget. Generally in August, the President presents the proposed annual budget for the following year in front of the house representative, and reports completion and achievement of development activities. The President's presentation will be followed by discussions between the government, represented by the Ministry of Finance and Technical Ministries, and the Budgeting Committee of the Parliament. In addition to field visits, the parliament conducts two coordination meetings with the government discussing progress of development activities, including those supported by foreign aid (according to Article 27 of Law No. 17/2003 and Article 156 of Law NO. 27/2009).⁹⁷ Parliament relies on BPK to evaluate performance financial management of the government as guided by Article 4/158 Parliament Standard Operation enacted in 2009.⁹⁸

However, there has been significant improvement in the participation of parliament members in development activities since new government was established in 1998. Review of several articles from local newspaper brought up the fact that more concerns have been raised by the parliament members around foreign aid.⁹⁹ This suggests that more dialogues take place between the parliament and the government.

Public participation was also improving in parallel with the government transparency. The President invites development stakeholders to provide inputs and feedback to the proposed development plans. Moreover, the entire provincial and district heads were invited regularly as well to contribute their thoughts and ideas in enriching the development plans. Besides, in improving the development performances, several CSOs' switched their mindsets to a more positive view. For example: INFID sets its position as one of constructive development partners and not opposing any longer in monitoring the foreign aid.

Integration of global issues has been practiced regularly in every development planning as explained in **sub-chapter 2b**. The government has ratified several UN Conventions¹⁰⁰ that shows commitment to gender equality, human rights, disability and environmental sustainability.

⁹⁶ www.dpr.go.id/id/Badan-Anggaran

⁹⁷ Siklus proses RAPBN/APBN in <http://www.dpr.go.id/id/Badan-Anggaran/siklus2>

⁹⁸ Siklus proses RAPBN/APBN in <http://www.dpr.go.id/id/Badan-Anggaran/siklus4>

⁹⁹ Most information is gathered from collection of the parliament in www.dpr.go.id.

¹⁰⁰ UNDP, 2005, Human Development Report 2005. International cooperation at a crossroad. Aid, trade and security at unequal world. The United Nations Development Program, 1 UN Plaza, New York.

d. Stronger partner countries' capacities to plan, manage and implement results-driven national strategies.

In ensuring development activities achieve the development targets the government has made some progress. In term of policy and regulation, as explained previously the government has developed considerably strong RPJMN which sets targets of each sector, whereby Technical Ministries use as the base for developing *Renstra* (strategic planning) covering programs and their budgets. In addition, the government has enacted Government Regulation No. 39/2006 on Procedures to Control and Evaluate Implementation of Development Activities. The Regulation holds all Ministers accountable in conducting program monitoring and report the results every three months, and conducting program evaluation at least once in a year.

In general, each ministry has a statistical unit which conducts regular data collection to help assess sector progress and achievement. BPS (*Badan Pusat Statistik* - Centre for Statistical Agency) collects general socio-economic data, which is essential for each technical ministry assessing achievement of one or more particular indicator.¹⁰¹ For example: The MoNE requires population figures according to ages to count school enrolment rate. In terms of using sex disaggregated data, the government's capacity has developed into the right direction. The Women Empowerment and Child Protection Ministry provided Training of Trainers (ToT) on Gender Mainstreaming in Policy and Development Program funded by UNDP in 2006.¹⁰² Gender Responsive Budgeting is one of the themes discussed in this training to strengthen capacity to plan. Supported by several development partners, some NGOs in Indonesia have run training in gender budgeting in selected provinces, districts and municipalities as pilot projects, and have developed gender-responsive budget programmes. This NGO capacity potentially influences the way government, at central and regional level develop its results-oriented development plan.

The use of sex disaggregated data is further shown by data used in most of development report to describe disparity of gender, as well as regional disparity to increase people's awareness on the international and national issues. For example: recent MDGs report (jointly developed by UNDP and the government) reflects practices conducted by the government in using sex disaggregated data. The Women Empowerment and Child Protection Ministry seems play a key role in enhancing the use of sex disaggregated data. The Ministry produced a Ministerial Regulation No. 6/2009 on Data Management on Gender and Child which adds a list of policy and regulation on results-oriented development

¹⁰¹ The government improves further quality of statistical data by entering an aid cooperation with the World Bank to implement CERDAS(Change and Reform for the Development of Statistics in Indonesia) which is aimed at improving Indonesian policy-making process through the provision of credible and reliable statistics. The Japanese Government has contributed US\$ 1 million as grant. In <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:21995501~menuPK:224605~pagePK:2865066~piPK:2865079~theSitePK:226309,00.html>

¹⁰² Data provided from personal communication with staff of the Ministry of Women's Empowerment and Child Protection.

program. Article 19 states that “Local government should allocate resources in their regional budget to provide gender and child data”. Through this regulation the government expects to have increasing commitments of local government (provincial as well as district/municipality) in using data on gender and children for planning, implementing, monitoring and evaluation policies, program and activities, as well as increasing the effectiveness of gender and child’s right mainstreaming.

The President enhances results-oriented development activities by putting a “smart” effort translating policy into action. Following the establishment of new cabinet, the President launched the first 100-day program. The program demanded all Ministries to prioritize their activities and set targets of achievement within 100 days after their assignment. Later, the President further strengthens the program monitoring by establishing Presidential Working Unit for Supervision and Management of Development (*Unit Kerja Presiden bidang Pengawasan Pengendalian Pembangunan - UKP4*) that helps the President to monitor progress of the annual development program, including 100 days program of each Minister.¹⁰³

The above 100-day program could, however, mean that the Government Regulation No. 39/2006 has not been practised widely. Hanik (2009) confirms such condition, whereby program management, in particular monitoring is hardly practised by the government.¹⁰⁴ Hanik (2009) further states that poor implementation was the result of lack of coordination mechanism and guidance on the conduct of monitoring involving 74 Technical Ministries/non-Department Agencies, 653 units of Directorate General level; 11,240 units of Director level; 33 Provinces with 990 SKPD; and 441 Districts/Cities with 13,230 SKPD; as well as lack of competence staff. Therefore, capacity of the government of plan, manage and implement result-driven strategy does not seem develop into an expected level which require further capacity development. The government requires further efforts in developing sound and applicable systems to conduct result-oriented monitoring evaluation systems. The 2008 Monitoring Survey Report also states that the government itself has yet to put in place a reliable and comprehensive system for monitoring and evaluation.

There has not been any quantitative data that describes progress of linkage of programming and resources from development partner to national development results. Qualitative data, however, shows an increased effort toward alignment to national development results. In shaping its country strategy, several development partners have involved the government as previously explained. For example: GTZ changes its country plan following a meeting with the

¹⁰³ www.thejakartapost.com/news/2010/02/08/discourse-ukp4-we-are-a-modern-efficient-team.html and indonesiacompanynews.wordpress.com/ukp4-unit-kerja-bidang-pengawasan-dan-pengendalian-pembangunan/

¹⁰⁴ Hanik. Umi, 2009, Thesis for Magister: The Analysis of the Development and Alignment of Aid Monitoring and Evaluation Policy for the Effectiveness of National Development Fund: A Case Study of Indonesia, Post-Paris Declaration Agreement. University of Indonesia.

government¹⁰⁵ and AusAID developed its AIBEP in consultation with the government¹⁰⁶. Such improved coordination and consultation potentially enhances linkage between development partner's programming and resources to Indonesia/sector development results. In most of its assistances to Indonesia, the World Bank develops a Project Appraisal Document, (PAD) which includes arrangement for results monitoring. BOS Program is one example whereby the PAD specifically includes program results which link to overall achievement of education sector.¹⁰⁷ Project Completion Report (PCR)¹⁰⁸ adopted by several development partners such as JICA, AusAID and the World Bank strongly indicates that development partner uses RPJMN and *Renstra* in developing its program strategy – target and budget.

RPJMN indicates a strong commitment of the government on development for results. Similarly, based on review of several program, development partner has placed targets for its development activities to link between programs/resources with results. However, efforts on building the capacity to plan, manage and implement results driven development program are hardly found. CERDAS (Change and Reform for the Development of Statistics in Indonesia) is likely one effort that has been jointly made between the government and development partner in improving capacity to plan, manage and implement results driven national strategies. CERDAS is a World Bank supported program to improve Indonesian policy-making process through the provision of credible and reliable statistics. The Japanese Government has contributed USD 1 million as grant.

e. More transparency and improved efforts to eradicate corruption.

Development in Indonesia has been managed in more transparent since the instalment of new government in 1998. Community/public participation in development activities has increased significantly. The government responded by integrating community participation component to enhance transparency and thus accountability in many development programs. For example: WSSLIC is one development program designed by the government with support from the World Bank that includes community participation in late 90s.¹⁰⁹ WSSLIC facilitates discussion and negotiation between the government and community around total project costs and community contribution. This approach opens information around amount of funds flow to community in the form of project materials and technical assistances. PNPM adopts similar approach with WSSLIC (see **Box**). PNPM places enough resources – funds and expertise to improve capacity of community in planning that matches their needs and to evaluate the government funded program to match the proposal submitted by community.

¹⁰⁵ GTZ in Indonesia - www.gtz.de/en/weltweit/asien-pazifik/608.htm .

¹⁰⁶ AusAID, 2008, 2008 Annual Program Performance Report for Indonesia.

¹⁰⁷ World Bank, 2008, Project Appraisal Document on a Proposed Loan. In the Amount of USD 6000,000,000 to the Republic of Indonesia for a School Operational Assistance – Knowledge Improvement for Transparency and Accountability Project (BOS-KITA). September 18th, 2008.

¹⁰⁸ Information provided by staff of Bappenas during interview.

¹⁰⁹ Paqueo, V,1993, Staff Appraisal Report: Water Supply and Sanitation for Low Income Communities. The World Bank.

The BOS Program is another example whereby the program was designed to provide a wide opportunity for every member of community, particularly parents and school committees to participate in the program implementation and provide constructive recommendations.¹¹⁰

Achieving aid effectiveness through transparency in PNPM

Poverty problems are complex and require intervention and strong coordination from all parties. However, before PNPM existed, poverty programs have been partially managed and was designed not sustainable. Private sector and community contribution in general is also not optimal. Social capital in public life as an empowerment and problem solving references also fading. It required systemic changes and comprehensive efforts.

To improve the effectiveness of poverty reduction and employment creation, the government launched National Program for Community Empowerment (PNPM) Mandiri started in 2007. Through PNPM Mandiri, all poverty programs are redefined in the way poverty reduction mechanism should delivered. Thus the program involves elements of society from planning, implementation, monitoring and evaluation. Through a participatory process development, critical awareness and community independency, especially the poor were involved as subjects of poverty reduction efforts.

The implementation of the PNPM Mandiri in 2007 begin with Kecamatan Development Program (PPK) as the basis for community empowerment in rural development with supporting programs of PNPM Generation; Urban Poverty Program (P2KP) as the basis for the development of community empowerment in urban areas; and Support for Poor and Disadvantaged Areas (P2DTK) for the development of disadvantaged areas, post-disaster and conflict; Socio-Economic Infrastructure Development Program Area (PISEW) to integrate central of economic growth with the surrounding area. PNPM Mandiri strengthened with various community development programs implemented by various ministries / sectors and local governments.

Through alignment and integration of various community development programs into PNPM Mandiri policy framework, development coverage is expected to be expanded up to remote areas and isolated. The ineffectiveness and inefficiency of activities caused by duplication between projects is also expected to be solved. Since empowerment process generally takes 5-6 years, thus PNPM Mandiri are designed until 2015. This is in line with the target date for achieving the MDGs. PNPM implementation which is based on measurable indicators will support Indonesia to achieve the MDGs targets.

www.pnpm-mandiri.org

Greater transparency also takes place in PFM. Representing the government, Bappenas conducts a quarterly joint monitoring of aid with development partner, MoF, Technical Ministries, BPK, and BI. A report resulted from joint monitoring is published and accessible by public. Separately, MoF jointly publishes a Status of

¹¹⁰ Review of (1) Direktorat Jenderal Pendidikan Dasar dan Menengah - Departemen Pendidikan Nasional (2009). Buku Panduan. Bantuan Operasional Sekolah (BOS) untuk Pendidikan Gratis dalam Rangka Wajib Belajar 9 Tahun yang Bermutu, and (2) The World Bank, 2008, Project Appraisal Document on a Proposed Loan. In the Amount of USD 600,000,000 to the Republic of Indonesia for a School Operational Assistance – Knowledge Improvement for Transparency and Accountability Project (BOS-KITA). September 18th, 2008.

Loan with BI. BPKP (Development Auditor) and BPK (General Auditor) as auditors have been very active in performing their roles in conducting financial audit to the government institutions, including funds from foreign aid – loans and grants.¹¹¹

The MoNE invited BPKP to audit the BOS Program in late 2009.¹¹² The MoNE further arranged a joint audit involving the Inspectorate General of MoNE and the Regional Auditor for the BOS Program in ensuring development funds are managed transparently.¹¹³ In 2009, BPK has also completed audit on central and provincial government financial management and reports were made public by several national newspapers.¹¹⁴ The audit report on central government underlines mismanagement of social funds under the health sector.¹¹⁵ As part of its role, BPK recently reminded decision makers and development stakeholders on potential of corruption in the new Presidential Decree on Procurement.¹¹⁶

Similar to transparent management, efforts to eradicate corruption has increased significantly. These transparent management and anti corruption at the government side are largely resulted from growing democratic environment in the country. Civil society organizations have grown considerably. They turned into active partners of the government in the national and regional development – from the planning stage to implementing stage, and demanding good governance – zero tolerance to corruption and transparency in financial management. Indonesian Corruption Watch (ICW) was established in Jakarta in June 21st, 1998,¹¹⁷ followed by the establishment of Transparency International – Indonesia in September 18th, 2000¹¹⁸ to participate in monitoring utilization of public funds. INFID continues to position itself as the government's partner in managing foreign aid – providing opinions and recommendations.¹¹⁹

The establishment of Commission for Eradication of Corruption (*Komisi Pemberantasan Korupsi* – KPK) as a state agency in 2003 (by enacting National Law No. 3/2002) shows government commitment in tackling corruption and enhancing accountability. Unlike civil society organizations that only monitor and report, KPK has the authority to conduct investigation and place the suspect in custody for further process. In strengthening the efforts on eradication of corruption, President Susilo Bambang Yudoyono formed a task force for the Eradication of Law Conspiracies (*Satuan Tugas Pemberantasan Mafia Hukum* –

¹¹¹ No data on number of audit could be collected. Statement is based only on review and observation by the evaluation team on intensity of news media reporting around activity of BPKP and BPK and information in www.bpkp.go.id and www.bpk.go.id.

¹¹² Press release by BPKP in www.bpkp.go.id.

¹¹³ Personal communication with a BOS Program consultant working for MoNE.

¹¹⁴ Ruki, T., 2009, Opini LKPP naik kelas bukan berarti tidak ada korupsi in Media Indonesia – available in www.bpk.go.id.

¹¹⁵ Aris, A., 2009, Kemenkes akan diaudit investigasi. BPK temukan ketidakpatuhan dalam laporan keuangan 2009 in Bisnis Indonesia – available in www.bpk.go.id.

¹¹⁶ Press release by BPK in www.bpk.go.id.

¹¹⁷ <http://www.antikorupsi.org/eng/>

¹¹⁸ <http://www.antikorupsi.org/eng/>

¹¹⁹ Interview with INFID staff.

Satgas PMH) in 2009. The strong commitment in eradicating corruption is further shown by enforcing law without discrimination. In 2009, the Court gave a verdict of proven guilty to the Deputy Director of Indonesia Central Bank, who is also the father in law of the President's son, of misusing his authority in the disbursement of Rp.100 billion (USD.11 millions) from Bank Indonesia's Indonesian Banking Development Foundation. He was sentenced for 3 years imprisonment.¹²⁰ Similar trials are ongoing with the staff of the Directorate of Tax, the Police Department and the Supreme Court accused for involvement in tax manipulation.

All those add to a long list of efforts made by the government since 1971 in eradicating corruption, although many leaders and groups are not satisfied fully with the way many corruption cases have been treated and ended. Unfortunately, there are still several corruption cases remain unfinished and the number of corruptions and the amounts corrupted tend to increase. Corruption is not limited to among executives, but also involves those whose roles are to eradicate corruption like the Police, Supreme Court and Parliament.¹²¹

Information from several resources, including respond to mail survey and documents review show that development partner has considered corruption as one major challenge in achieving aid effectiveness, and has put efforts to eradicate corruption. For example: The World Bank Indonesia Office forms anti corruption unit¹²² and incorporates anti-corruption action plan in its PAD.¹²³ GTZ sees corruption as one of the issues in its strategic direction in Indonesia, as applied in its global principle.¹²⁴ The ADB appointed the procurement unit in the country office as the focal point to screen corruption case during the procurement process and formed the Office of Anticorruption and Integrity in its Headquarters.¹²⁵ The World Bank, ADB, and some development partners have also made agreement on cross debarment program.¹²⁶ Under such program, a firm/individual debarred/sanctioned by a partner cannot participate in a project funded by these institutions. This obviously helps the government in eradicating corruption.

f. Defined measures and standards of performance and accountability of partner's country systems.

Based on very few data collected, there have been little collaborative efforts made by the government and development partner in relation to strengthening Indonesia's systems. The 2008 Monitoring Survey¹²⁷ reported only two

¹²⁰ The Jakarta Post– www.thejakartapost.com.

¹²¹ "Rekening Gendut Perwira Polisi", Tempo magazine vol. 18/39 Monday (28/06/2010), – www.inimu.com/berita/2010/06/29/isi-majalah-tempo-rekening-gendut-perwira-polisi-yang-menghilang-diborong/

¹²² Personal communication with an education consultant working for the World Bank.

¹²³ Anti-Corruption Action Plan for Active Projects in web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/

¹²⁴ www.gtz.de/en/weltweit/asien-pazifik/608.htm.

¹²⁵ The information was added by staff of ADB during the NRG meeting held from 11 – 13 October 2010.

¹²⁶ The information was added by staff of ADB during the NRG meeting held from 11 – 13 October 2010.

¹²⁷ OECD (2008). 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective.

assessments on Indonesia's PFM and procurement systems had been conducted whereby the government participated (or at least recognized) the processes.¹²⁸ There has not been any report on similar assessment could be collected since then. A collaborative effort was likely made by the government and development partner after signing the Jakarta Commitment and establishment of A4DES. Under the auspices of Bappenas, A4DES facilitates six working groups to help the government and development partners implement the Paris Declaration. Two of these six were established specifically for analyzing and improving public financial management and procurement systems.

Development partner, however, has conducted Indonesia's financial systems individually. For example: Under BEC-TF Program, the World Bank conducted assessment on PFM.¹²⁹ The AusAID (2009) 2008 Annual Program Performance Report for Indonesia states that AusAID conducted an analysis of Indonesia's fund disbursement system in NTT and followed with an analysis of overarching Indonesian government systems in 2008, as a part of efforts in using the country's systems.¹³⁰ As a result of the analysis, AusAID will continue using Indonesia systems (in particular for road and school constructions). The report states further that AusAID requires extra fiduciary safeguards in ensuring funds disbursement and auditing the use of funds take place according to acceptable standard practices, if local systems will be used. Similar safeguards effort was also made by the World Bank, the ADB and several development partners to minimize corruption by entering an agreement on cross debarment as previously explained.

Despite little collaborative effort on enhancing Indonesia's systems, the government has placed significant effort in improving PFM and procurement systems. The 2008 Monitoring Survey considered the government has made significant progress in reforming PFM system. The report further underlines that such significant progress was achieved through budgeting and financial management reform. The government has enacted several legislations such as the State Finance Law, the State Treasury Law and the State Audit Law. As explained previously, the government continues improving the system through collaborative works with development partners under the mechanism of A4DES.

Reform to improve procurement systems is extraordinary. The government has made an important action by establishing Agency for Policy Development on Public Procurement or locally called *Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* (LKPP) in 2007.¹³¹ LKPP is currently introducing e-procurement system designed for the government institution carrying out its procurement to

¹²⁸ PFM was assessed in 2005, applying World Bank's Country Policy and Institutional Analysis (CPIA). Procurement systems were assessed for the first time in 2007 whereby a self-assessment methodology developed by the Joint Venture on Procurement was applied to assess the systems' reliability.

¹²⁹ World Bank, 2009, Investing in Indonesia's Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.

¹³⁰ AusAID (2008). 2008 Annual Program Performance Report for Indonesia. (collected from http://www.usaid.gov.au/publications/pubout.cfm?ID=5260_1867_3025_7830_4937&Type=)

¹³¹ Review of information in www.lkpp.go.id.

simplify procurement processes and eliminate corruption. Having LKPP with the main function to develop and design procurement policies, the system will likely improved further in the following years. Efforts of the government in improving the system is further shown by six revisions made to the Presidential Decree No. 80/2003 on Procurement to ensure the system promotes principles of transparency, open and fair competition, efficiency and accountability.¹³² The Decree is now replaced by the Presidential Decree No. 54/2010.

As a part of efforts on enhancing the systems, the GoI released the Government Regulation No. 6/2008 on government internal control. The new regulation on financial report also demands official traveller submits original used ticket and boarding pass, while the auditor will randomly check their validity with the airline issuing the ticket.¹³³ As explained previously, BPKP (Development Auditor) and BPK (General Auditor) as auditors have been very active in performing its roles in conducting financial audit to the government institutions, including funds from foreign aid – loans and grants.¹³⁴ For example: BPKP audits the BOS, while the MoNE further arranged a joint audit involving the Inspectorate General of MoNE and the Regional Auditor for the BOS Program in ensuring development funds are managed transparently. In 2009, BPK completed audit on central government financial management and a report was made public.

The above findings indicate significant improvement of the systems and practices. More importantly, the government seems fully understand that the systems require further improvement. Realizing the importance of good PFM and procurement systems on aid effectiveness, the government has entered a loan agreement with the ADB on ASBD for audit and procurement and STARSDP for local government finance and government reform program. Such effort is justly fit with recommendations made in the 2008 Monitoring Survey whereby efforts should be placed on building the capacity of government agencies to understand and adhere to the requirements of the presidential decree on procurement.

3. Better Partnership

The GoI considers that cooperation with development partners is much better now compared to those under the CGI or IGGI in the past. The GoI hopes that the quality of the relationship will be improving in the near future, taking advantage of the present lessons learned and experience. Currently, the relationship in cooperation between the GoI and development partners is moving into an equal partnership.

¹³² Article 5 of Presidential Decree No. 54/2010 defines procurement principles.

¹³³ Observation of the evaluation team members from experience providing consultancy services for government institutions, and interview with MoF staff.

¹³⁴ No data on number of audit could be collected. Statement is based only on observation by the evaluation team on intensity of news media reporting around financial mismanagement found by BPKP and BPK. Information is collected from www.bpk.go.id and www.bpkp.go.id.

a. Enhanced respective accountability of countries and donors to citizens and parliaments.

As explained previously in section 2.c. Stronger aid coordination, parliament participates in the development activities through five different stages according to Law 17/2003 and 27/2009. Information gathered from different sources indicates increment of participation of the parliament on development aid. For example: During a meeting with the Minister of Finance and State Minister for Development Planning, the Commission XI raised concern on significant increment of foreign aid and poor management practice which led to obligation to pay commitment fee. On other occasion, Commission V requested explanation from MoPW around increment of foreign aid managed by MoPW, whereby the Commission has not been consulted.¹³⁵ Similarly, Commission II has placed disagreement to allocate foreign aid for program on civil registration (*adminduk*).¹³⁶

Despite clear regulations as the foundation for parliament participation in development activities, Commission XI members considered that parliament has not been valued as active stakeholder, and requested to be involved in aid negotiation.¹³⁷ One member added that the government should be more transparent with the parliament by updating the parliament around performance of loan and lender's condition by the government.

In addition to field visits, the parliament conducts two coordination meetings with the government discussing progress of development activities, including those supported by foreign aid (according to Article 27 of Law No. 17/2003 and Article 156 of Law NO. 27/2009).¹³⁸ Parliament relies on BPK to evaluate performance financial management of the government as guided by Article 4/158 Parliament Standard Operation enacted in 2009.¹³⁹ Recently, parliament requested BPK to carry out investigation audit on interests resulted from foreign aid.¹⁴⁰

In terms of accountability to public, quantitative data could not be gathered during the evaluation period. However, qualitative data suggests that substantial efforts have been made by the government in improving accountability to public. A recent audit report by BPK shows an improvement of the government's financial management from disclaimer in 2004 to qualified opinion in 2009.¹⁴¹ The report, however, underlines weaknesses that the government should

¹³⁵ DPR persoalkan utang leu negeri pemerintah in <http://www.jakpress.com/www.php/news/cat/legislatif>

¹³⁶ Dewan tidak setuju dana adminduk dari pinjaman luar negeri in www.dpr.go.id/id/berita/komisi2/0000/00/00/483/DEWAN-TIDAK-SETUJU-DANA-ADMINDUK-DARI-PINJAMAN-LUAR-NEGERI

¹³⁷ DPR persoalkan utang luar negeri pemerintah in <http://www.jakpress.com/www.php/news/id/7482/DPR-Persoalkan-Utang-Luar-Negeri-Pemerintah.jp>

¹³⁸ Siklus proses RAPBN/APBN in <http://www.dpr.go.id/id/Badan-Anggaran/siklus2>

¹³⁹ Siklus proses RAPBN/APBN in <http://www.dpr.go.id/id/Badan-Anggaran/siklus4>

¹⁴⁰ BPK diminta audit investigasi bunga utang luar negeri in www.bpk.go.id/web/files/2010/05/5-Investor.pdf

¹⁴¹ "Opini LKPP Naik Kelas bukan Berarti tidak ada Korupsi" in *Bisnis Indonesia* - collection of news clipping in www.bpk.go.id.

alleviate to continue having qualified opinion, or to gain the highest opinion – unqualified. Those weaknesses include the management of grants, absorption of loans and assets management. In addition, the report states that earning qualified opinion does not automatically means that corruption did not occur during the period of the audit.

Guided by the Government Regulation No. 2/2006, Bappenas arranges a quarterly meeting with Technical Ministries, Central Bank, MoF and development partners to monitor performance of loan. Following the meeting, Bappenas develops a report for the President and Ministries underlining absorption of loan, challenges in program implementation and recommended actions to help improve performance of loan. As an effort to improve accountability, the MoF jointly with the Central Bank (Bank Indonesia) publishes statistics of debt – called External Debt Statistics of Indonesia quarterly, from which the public could access free information through the internet. The report also informs about the conditions that the government should follow. More specific conditions for each agreement and policy matrix applied for the program loan are not included. Public audience, however, may request for the information according to Law No. 14/2008 on Information Transparency.

Accountability to public is also enhanced by active participation of BPKP. Staff of Bappenas reported that the vast majority of loan agreements dealing with large development partners (JICA, the ADB and the World Bank) always stipulate a mandatory requirement for audit by BPKP. Unfortunately, there is not much information that the evaluation team could gather around special audit on ODA funded program, except for the BOS Program.¹⁴² BPKP also performing professional audit to DBEP, an ADB funded program.¹⁴³ The Global Funds, previous and ongoing grants for AIDS, TB and Malaria have been audited by Price Waterhouse-Cooper since the 1st to round 8 (It should be noted that Indonesia does not receive the grants for all the 8 rounds).¹⁴⁴

In terms of accountability for development results, the government has taken important step by developing strong RPJMN which includes outcomes and results for each sector. However, there has not been any mutual mechanism to assess the development results agreed by the government and development partner. Agreed mutual mechanism is generally related to a particular program. The government representative states that UNDP and IDB conduct joint program monitoring with the government every three years. Similarly, the Program Collaboration under GoI-UNICEF Cooperation sets target to each development program which will be used to assess progress and evaluate program's effectiveness in contributing to the sector goal every five year, or at the end of the collaboration.¹⁴⁵ JICA conducted a joint program monitoring with the government adopting a Consistent Evaluation and Monitoring System from Ex-

¹⁴² Collection of news clipping in www.bpk.go.id.

¹⁴³ Personal communication with staff of HIS, a consultancy firm providing services to DBEP.

¹⁴⁴ Personal communication with staff of MoH who involves in the program implementation.

¹⁴⁵ www.khppia.org.

ante to Ex- Post (see **Box**) which demands implementation of regular monitoring for all ODA loan project during project life, and evaluation within two years after completion.¹⁴⁶ The evaluation uses five DAC evaluation criteria (i.e. relevance, efficiency, effectiveness, impact and sustainability) to value overall rating of the project.

A recent joint M&E between MoNE and the World Bank¹⁴⁷ could also serve as a good sample of an improved collaborative work between the government and development partners. Both parties have developed and agreed upon a set common development results – the outputs and outcomes of the BOS Program that contribute to education sector goals. The World Bank is fully in-charge of designing and implementing the program monitoring, as well as data analysis. As a partner, the MoNE has been intensively consulted around the focus and methodology of the monitoring, and receiving monitoring reports underlining gaps and achievements made by the program. Several development partners have conducted joint program monitoring. For example: AusAID assigns its Independent Monitoring and Evaluation Team (IMET) to monitor the AusAID, GTZ and DFID MCH programs.

JICA monitors development results in cooperation with the Government

The Consistent Evaluation and Monitoring System from Ex-ante to Ex- Post demands implementation of regular monitoring for all ODA loan project during project life, and evaluation within two years after completion. The evaluation is designed to evaluate all Japan funded program at outcome level. Thus evaluate contribution of program into development results. The ownership is also enhanced through adoption of participatory mode, whereby representative of the Government of Indonesia takes an active part in the evaluation. Results will be used to see aid effectiveness.

The above joint monitoring is likely initiated because of common interest. In addition, it is a good foundation for developing common mechanism of development results assessment. Results based M and E will be a powerful tool for ensuring the effectiveness of Indonesia's development policies and the delivery of tangible results by the government. Poor understanding of the importance of result-based monitoring appears as a challenge to management of development results. District/City BOS Program staff, for example, stated that the funds would always be disbursed without regard to the quality of monitoring.¹⁴⁸ If monitoring is conducted, the monitoring results have not been utilised to improve program implementation or to design a new and innovative program. This affects negatively to funds allocation for monitoring and evaluation, as experience by the MoNE for its BOS Program for which the Parliament disapproved funds allocation for the BOS Program monitoring and

¹⁴⁶ Brief presentation on the concept of Consistent Evaluation and Monitoring System provided by staff of Bappenas.

¹⁴⁷ Personal communication with BOS Program consultants working for MoNE and the World Bank.

¹⁴⁸ Personal experience of a team member in facilitating an assessment workshop for BOS Program M&E systems.

evaluation in 2009. Similar phenomenon occurred within GoI-UNICEF Collaboration Program, where funds were not allocated enough to conduct good M&E.¹⁴⁹ In addition (taking BOS Program as sample), monitoring of government implemented program is heavily focused at ensuring program funds are utilised according to financial/accounting regulations – i.e. verification on document of contracts, fulfilment of taxes and receipts. Even, verification has not been done to check if the prices in the contract documents and receipts are rational at the time of transaction.

Information gathered around accountability of development partner shows that development partner has put similar effort with the government. Currently, development partners publish information regarding their aid through their websites - mostly about their development activities and partners in Indonesia. Some development partners include financial figures in their information, although limited to total amount of aid in each particular program. Unfortunately, access to financial information is not always easy and not always available within the development partner's in-country website, but linking to other websites. For example: Information around development activities of the Government of Japan is available in www.jica.go.jp, but information on the amount and modality of could be accessed in www.japan.go.jp. Similarly, program activities of the Government of Australia are available in www.indo.ausaid.gov.au, but more information on the amount of aid is available in the Australian Statistical Bureau website. Generally, information on commitment and disbursement of aid is available in OECD Statistic accessible through internet.

Under grant scheme, report on financial audits of the implementing agency still requires further improvement in the quality of public accountability. Financial audit might be conducted and reported by the implementing agency in its country, if the agency is a foreign institution. Thus, the agency is more accountable to public in its country, but less accountable to Indonesian who should receive maximum benefit from aid. Similarly, local or Indonesian institution implementing grant funded program does not seem conduct a regular financial audit and report the results to public. In support to their development activities, some development partners have received approval from the government to raise funds locally. However, financial report related to incomes and utilizations to public – practising good transparent public financial management, is hardly found and accessed.

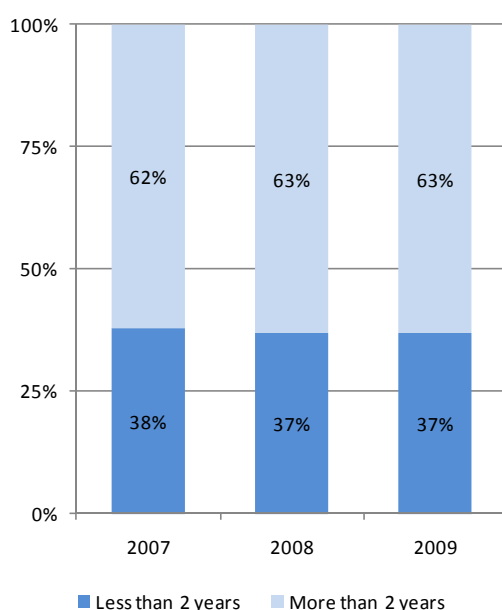
b. More predictable and multi-year commitments on aid flows to committed partner countries.

Using the RPJMN, combined with the “Blue Book” that contains priorities of aid and high priority development programs, development partners will have a reference to allocate its aid matching its defined strategic direction. The process

¹⁴⁹ IHS (2008). Final Report on Midterm Evaluation of GoI-UNICEF Collaboration Program.

encourages development partner to commit its aid that corresponds with the government priorities over a set period. Therefore, the government will have assurance from the development partners around the amount and period of their aids as well as the funds appropriation. Report on Loan Development from 2007 and 2009 shows that more than 60% of new loan is under multi-year agreement every year (**Figure 25**). The figures show relatively stable progress of multi-year agreement. On the other word, there has not been any improvement in multi-year commitments since 2007.

Figure 25. Trend of number of multi-year aid agreement



Source: Direktorat Jenderal Pengelolaan Utang, Departemen Keuangan, Laporan Perkembangan Pinjaman Luar Negeri tahun 2007, 2008 dan 2009.

Note: Data for fourth quarter in 2008 could not be collected.

Law No. 2/2006 demands all aid agreements to include disbursement plan that has been discussed and agreed by the government and the development partner. The disbursement plan is an important document for the government in monitoring loan performance ensuring disbursement is progressing according to plan. When deviation occurs on disbursement the government would be aware of it and helps finding solutions. Report on Loan Performance confirms that disbursement plan has been developed for every loan agreement. The report is a result of regular joint monitoring between the government and development partners to see progress of actual absorption against planned of disbursement amount, as well as to determine actions to minimize challenges.

Report of 2008 Monitoring Survey found 25% of scheduled disbursements to Indonesia were accurately recorded by the government, which is far below 85% - the target in 2010. The government, however, calculated that 81% of scheduled disbursement was recorded. The online survey 2009 conducted by Bappenas found a figure of 25.78%. The report, however, underlines that the figure might be inaccurate, since information from two large development partners have not been included. The above joint monitoring practice has definitely improved coordination between the government and development partner, and potentially reduces gap between received and disbursed aid. The government's finding is likely more accurate than the 2008 Survey. Thus, the government has more chance to predict aid accurately.

c. Sufficient delegation of authority to country office.

In most cases, decision making at development partner takes place at headquarters according to information gathered through mail survey and interview. As an example, JICA, representing the Japanese Government uses the “Blue Book” made available by Bappenas and conducts further discussion with Technical Ministries to obtain in-depth information of the proposed projects/programs. The Japanese Government in Tokyo is the ultimate authority in allocating its foreign aid and approves all request of aid guided by its global standards and procedures. GTZ Headquarters sets the general focus and framework of implementation for its foreign aid. Its country Office will define the priority area according to the country condition and situation using the global aid strategy. AusAID’s Country Office mostly performs similar role as GTZ’s, coordinating and managing technical aspect of their aids. There had been a joint effort between AusAID Headquarters and Indonesia Country Office in designing the ESSP Program for 2010 - 2015 cooperation, wherein the Country Office responsible for the design and the Headquarters advisory team developed the proposal. INFID reported that one development partner is on the contrary, even shifting the final decision on aid agreement from their country offices to their Headquarters. In an extreme condition, one development partner even claimed to require permission from the Headquarters for simply disseminating information regarding the implementation of the Paris Declaration for this evaluation.

Similar decision making processes takes place in ADB, whereby ADB’s Indonesia Resident Mission (IRM) mostly performs coordinating roles. Currently, around half of project funded by ADB is managed by its Headquarters in Manila, the Philippines. More decision making will be shifted to IRM in the following years, after a recent assessment. Currently, ADB is conducting an accreditation program for their national procurement officer to delegate decision making on procurement from the Headquarters to the country office. An accredited national procurement officer will be invested the authority to make decision on procurement.

In terms of staffing, development partners claimed that their staff competency in implementing the PD is being managed appropriately, despite the regular turn around of International staff every 3 years. Most development partners – i.e. the World Bank, ADB, UN agencies, JICA and AusAID have placed technical staff with expertise related with their development assistances such as education, health and gender. The local staff capacity is developed by way of regular training. Nevertheless, in most cases national staff has no authority for making important decisions. Low participation of development partner in the NRG meeting of this Paris Declaration evaluation indicates further that delegation of authority from international to local staff is reasonably low.

The findings above clearly indicate that development partners are in the stage of reforming their aid deliveries – considering more decision making to take place at the country level rather than Headquarters. Currently, decision making is taken at Headquarters with technical proposal designed by the country level team. Mechanism of aid approval also signals a lengthy processes and involvement of higher level officers within the development partner’s government structure. Shifting decision making to country office is not an easy task to undertake. It may involve thorough assessment, and probably debate in the parliament. This supports the above observation whereby the current state of decision making has not fully shifted to country office.

B.3. Strengthen Contribution of Aid to Sustainable Development Results

1. Results Enhanced through Application of Paris Declaration

According to the two case studies on health and prioritization (see more explanation on the section of conclusion of **Annex 5 and 6**), conclusion could be made that the implementation of Paris Declaration has generated effects on aid to enhance sustainable development results in Indonesia. The effects largely resulted from a combination of efforts on alignment and harmonization. Aligning development program into country’s program strategy will open greater chance to accelerate achievement of development results. Similarly, harmonization helps place resources into a particular program strategy.

The two case studies underline strong ownership at the government side. Sectors have clear programs and targets, which facilitates development partner aligning their aid. Under the multilateral cooperation, UN agencies have been the government’s long term partners for development. For example WHO, UNICEF and UNIFEM continuous their technical assistants in close collaboration with the government at all levels. Global Funds for AIDS, TB and Malaria was also implemented in a similar mode with those of UN agencies, whereby the government was placed as an active stakeholder. This mode of cooperation helps increase the quality of alignment and ownership.

As a result of quality increment of alignment and ownership, development activities are designed in support of national program strategy, which enhances achievement of the development results. Having the ownership it is more likely for the government to adopt and replicate the program into wider geographical areas. Beside, many Gol development programs, such as WSSLIC and those under the realm of PNPM (PPK, P2KP, P2DTK and PISEW) promote target community’s active roles/participation, which ensure ownership at the grass-root level. As has been demonstrated in many programs both nationally and worldwide, such ownership further ensures sustainability of the development results.

Looking at the UN's sources of funds, Gol-UN agencies cooperation capitalizes aids from several development partners - thus unifying the otherwise varying program strategies and approaches of program implementation and potentially increased geographical coverage. In the case of the Global Fund for AIDS, TB and Malaria, the Gol coordinates the formulation of proposals involving CSOs, following the national strategies and geographical priorities of each of the three diseases. The Global Fund CCM (Country Coordinating Mechanism Office) channels the grant funds to the designated PRs (the government as well as CSOs) to carry out agreed program interventions.

Under bilateral cooperation, several large development partners have also harmonized their aid – working in partnership with other development partners. JICA has decided to collaborate with USAID mainly in the health sector, as USAID has a flexible organization in formulating and implementing health projects.¹⁵⁰ The collaboration is obviously an important effort in harmonizing aid, and in particular taking into account other partner's comparative advantage.

It is important to note that most, if not all, major aid projects nowadays are designed to work closely with relevant local entities, both public and private, as well as the community incorporating capacity building. Having said this and all the above, sustainability is, therefore, more or less better guaranteed.

2. Plausible Contribution to Development Results

- **Inequality and capacity building.** In Indonesia the issue of inequality, as described elsewhere in this document, involve the non-balanced development intensity between the western and eastern parts of the country, despite the apparently higher presence of poverty in eastern Indonesia. Fortunately, at least several development partners such as CIDA and AusAID have long directed their aid programs to the more needy areas in the eastern part of Indonesia. This means that even without the application of the PD, geographical inequality has been to certain extent addressed.

The issues surrounding gender is clearly yet another inequality case, which likewise has also been addressed by the government and development partners through gender mainstreaming strategy into all development sectors and sub-sectors. This is also elaborated in the **Annex 5** of this report.

As presented in **Annex 5**, the application of the PD principles does, albeit at least indirectly, contribute to the reduction of inequality. The contribution was made possible through the provision of technical assistance in policy reform such as use of gender disaggregated data for planning. It is assumed that the cited achievements are largely the results of proper identification of issues and actions to address them.

¹⁵⁰ <http://www.jica.go.jp/english/operations/partnership/sector.html>

Contribution to capacity building was made through close relationship with target community and institutions. For example: USAID as a large development partner in MCH continues to focus on strengthening advocacy, management capacity, and service delivery. Working with local government agencies, NGOs, and other partners, vulnerable populations – poor women and children – are the principal beneficiaries of USAID’s public health program.¹⁵¹ DfID has made good initial progress in increasing the institutional capacity and leadership of the National Aids Commission (NAC), something widely accepted as a key step in addressing the HIV/AIDS epidemic.¹⁵²

Multilateral development partner contribute in a different way. Most of multilateral development partners implement their program in a participatory mode whereby the government become an active actor in program implementation. UNIFEM and UNICEF have been active assisting the government in policy reforms. UNIFEM becomes an important partner of the government in improving capacity of technical ministries using sex disaggregated data. UNICEF, on the other hand has been paramount in promoting children’s rights through development programs. In collaboration with CSOs, UNICEF champions the government enacting Child Protection law in 2002. Recently, UNICEF has been active supporting Ministry of Women’s Empowerment and Child Protection implementing *Kota Layak Anak* (City fit for Children) and corporal punishment programs ensuring children enjoy their rights. The organization has also been active in and persistent assisting many regional governments preparing regulation on free birth certification.

- **Increasing growth.** Financing gaps and aid management is a major factor influencing growth as stated by Dollar and Kusumo. Dollar (1998) in his research stated that with good management, each additional 1% of development funds from GDP will increase the growth of ½%. In a declining economy, mostly income per capita decreased by 7%, resulting a 19% of poverty rate. Dollar, David & Lant Pritchett in Hanik (2010), posit that with profound management, the addition of 1% of development funds from GDP would reduce infant mortality by 0.9%. While Kusumo (2008) in his research wrote that the existence of aid allows the government to increase their expenditure to accelerate the achievement of national development objectives. Despite of that fact, he continues that lately aid has been limiting the flexibility of the National Budget (APBN) due to the large portion allocated to interest and annual aid repayment instead of increasing development allocation. Since achieving development results and high economic growth will require a large investment, thus in the realm of development aid, budget prioritization shifting, especially debt rescheduling is highly needed.

¹⁵¹ *Ibid*

¹⁵² Barnnet C. et.al. (2207). Evaluation of DFID Country Programmes: Indonesia, 2000 – 2006. DFID, September 2007.

Based on the above and other findings presented in this document, it could be concluded that the application of PD principles does not directly lead to increased acceleration of development results.

- **Poverty and MDGs Achievement.** One strategic program to reduce poverty is the PNPM, an integrated program consisting of several activities addressing specific poverty issue. PNPM was primarily designed to align and harmonize different poverty alleviation programs previously running with lack of effective coordination as demonstrated by cases of duplication. Program implementation is area specific to address local needs involving community planning, design and mechanism, and resources identification - thus integration of alignment and harmonization into PNPM potentially enhance effective use of aid in addressing poverty. Furthermore, PNPM was also designed to resolve inequality issues including gender inequality; regional disparity; disadvantaged, disaster, and post-conflict areas; and youth.

The following reported successes testify for the effectiveness of good program coordination influenced by PD for ensuring development results. Zulkarnain, Head of Bima District confirmed that PNPM PISEW 2008 contributed in the decrease of poor people by 21.79% in Bima¹⁵³, while in East Java¹⁵⁴ PNPM PPK the decrease was 8.94% in 2007, and in Central Java¹⁵⁵ by 7.49% in 2008. Such achievements clearly contribute to the achievement of the MDGs.

B.4. Evidence of the Accra Agenda for Action Triggering an Acceleration of the Aid Effectiveness Agenda

The Government of Indonesia is committed to take forward the Accra Agenda for Action as well as the Monterrey Consensus and the subsequent of the 2008 Doha Declaration on Financing for Development.¹⁵⁶ The Government of Indonesia advanced its commitment by transforming into Indonesia's road map for aid effectiveness – called the Jakarta Commitment. The Jakarta Commitment represents an Indonesian version of elaboration of the Accra Agenda for Actions. In addition, the government established an Aid for Development Effectiveness Secretariat (A4DES) under Bappenas to help the government moves forward together on this important agenda of enhancing development effectiveness in Indonesia.

The A4DES structure organization (**Figure 23**) and operation mechanism (**Figure 26**) place the government as coordinator to facilitate collaboration works with development partners – thus enhancing ownership and alignment. The six Working Groups plays key role in supporting collaboration works among the government and development partner in particular subject related to Paris Declaration. The Working Group will evolve in number and subject responding to the requirement as a result of mutual analyses between the government and development partner.

¹⁵³ Ferry Zulkarnain Bima's Bupati (January, 2010), <http://bimakab.go.id>

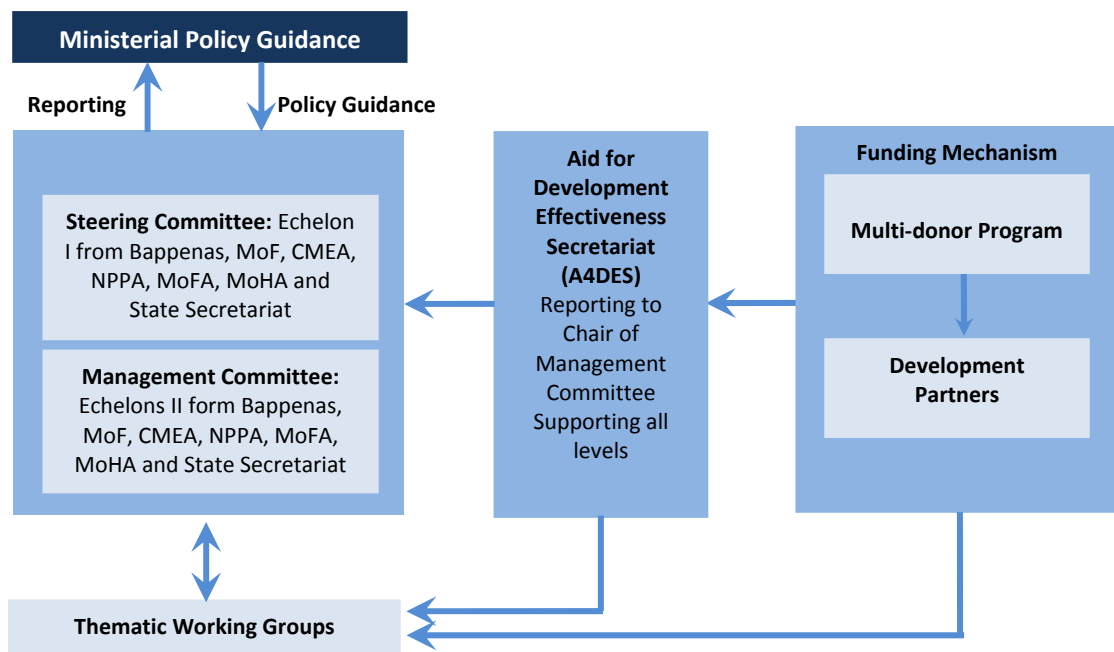
¹⁵⁴ LPPM Brawijaya University, Malang, East Java

¹⁵⁵ Ir H Muhammad Tamzil, Director of Cipta Karya Central Java, <http://tnp2k.wapresri.go.id> (Feb 2010)

¹⁵⁶ The Jakarta Commitment: Aid for Development Effectiveness. Indonesia's Road Map to 2014.

The A4DES operational mechanism transforms a concept of harmonization into actions whereby development partners are given opportunity to participate in dialogue or collaboration works on particular Paris Declaration related issue match with their country strategic direction. The A4DES model leads all development actors (i.e. the government, development partners and CSOs) operate adopting common approach and strategy.

Figure 26. Operational Mechanism of A4DES



Facilitated by Working Group, the government and development partners have done their best in mobilizing their resources, by collaborating in identification of the gaps and obstacles which hindered the implementation of Paris Declaration. Every working group under A4DES have accomplished many activities, mainly issues dealing with public financial management and procurement. But, many more important activities should be completed.

In addition to triggering the Jakarta Commitment’s birth, Accra Agenda for Action stimulates dialogue among development stake holders on aid effectiveness. For example: AusAID and the EU had even put aid effectiveness compliance in discussing the concept of ESSP. Further, AusAID has conducted assessment on Indonesia’ fiduciary systems to find out risks using local systems.

B.5. Unintended Consequences of the Paris Declaration for Aid Effectiveness

Hold Back Development Activities

Impact of lack of staff may be resulted in holding back implementation of development activities. For example: good harmonization may take long time to achieve. It requires appropriate arrangement and substantial resources to select partners. After all, development partner will not select partner for the sake of harmonization, but more for aid effectiveness and effect on development results. Otherwise, development partner may need to decide to hold its additional aid or reduce its aid, before best partner fit with its mission has been selected.

Similar to impact upon the government staff, development partners staff needs to balance between implementing Paris Declaration and development program. Monitoring of program monitoring might receive adverse impact of lack of appropriate number of staff sufficient to cover all aspects of program management.

C. Conclusions

C.1. Relevance of Paris Declaration

- On the one hand, Indonesia's development situation and context is as such that it demands more funding than what the country could provide by itself, more expertise and trained manpower than what it currently possesses, as well as better management of resources and programs than what is currently taking place. On the other hand, development partners both multilateral and bilateral, are keen, committed to and have provided assistance in the form of foreign aids although their results have not been optimum due to various reasons. Among these reasons are factors such as programs that are implemented without sufficient involvement of the government (lack of ownership), lacking of transfer of knowledge, and only accountable to their own government.

In addition, the people of Indonesia is now enjoying democratic environment. For example: Governors and Heads of Districts are directly elected by people under the reformed electoral regulation. However, there is sacrifice involved in this enjoyment of democracy. In areas where regional income is relatively small, allocation of funds for development activities may be redirected to support regional general election.¹⁵⁷ Decentralization may also have caused adverse effects on development activities whereby around 66% of regional budget tends to support the operational costs of the bureaucracy¹⁵⁸. As an example, Jember District allocated 57.4% for direct and indirect personnel expenditures as reported by Djunaidy M (2010).¹⁵⁹

Natural (tsunami and earthquake) and man-made (flood and landslides) disasters clearly place pressure to allocation of resources for development activities. The government has to balance between sustaining development activities and redirecting funds to help disaster victims. Tsunami in Aceh is an obvious reminder for development actors that natural disaster could paralyze the entire local systems, and people totally rely on external assistant.

Eradication of corruption adds another challenge to ensure development funds are not drained out. Although financial management of the government improved from disclaimer in 2004 to qualified opinion in 2009, index of corruption remains low.

A study by UNDP on debt strategies to meet MDGs found out that the government face financing gap in fulfilling basic rights.¹⁶⁰ The study brings up

¹⁵⁷ IHS, 2009, Report on Midterm Evaluation of GoI-UNICEF Collaboration Program.

¹⁵⁸ Anonim, 2010, "66% Anggaran Untuk Birokrasi: APBN Belum Pro-Rakyat". Suara Pembaharuan Newspaper, July 13th, 2010

¹⁵⁹ M. Djunaidy, 2010, "Penggunaan Dana APBD Jember Boros" in www.tempointeraktif.com

¹⁶⁰ UNDP, 2007, Indonesia: Debt Strategies to Meet the Millennium Development Goals. Draft submitted to MoF for discussion.

an estimation of around USD 6 to 7 billion per year is required in support of the government to continue implementing development activities. The study also put a 2005 estimation of UNFPA on the requirement of USD 165.4 million to provide drugs and supplies to implement good quality of reproductive health and family planning.

All facts above potentially divert limited development funds allocated by the government. Having yearly budget deficit, aid could be considered as a source of funds for the government to sustain development activities. Consequently, the government has to manage aid incorporating the Paris Declaration principles, if aid should have impact on reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs. Effective aid management is also paramount in ensuring that the country does not fall into a “perish” country because of debt. Coupled with slow achievement of MDGs, the government needs to manage all resources available, foreign aid included in ensuring that development programs are designed and implemented effectively.

- Meanwhile, the Paris Declaration is formulated and declared, aiming at accelerating the effectiveness of foreign aid in general, through the application of its five principles i.e. ownership, alignment, harmonization, managing development results and accountability, it is simply obvious that the Paris Declaration has significant relevance to the Indonesian context.
- The Paris Declaration was declared at time when the government began placing efforts managing aid better. The Paris Declaration is a useful and instant management guidance that the government could use to improve management of development activities, in particular toward aid effectiveness. However, Paris Declaration might not have any effect on the way the government place efforts toward aid effectiveness until the Jakarta Commitment is signed. This is mainly because the government has placed many efforts in managing aid better by reviewing and enacting several laws on management of aid, procurement systems and anti corruption.

The Paris Declaration is likely implemented in coordination between the government and development partner after the signing of the Jakarta Commitment in 2009. The Jakarta Commitment, the roadmap is aimed at responding a challenge to translate the existing resources into better development outcomes.¹⁶¹ The Jakarta Commitment defines the policy direction towards development effectiveness up to 2014 and beyond. The Government invites 22 development partners to join this commitment and adopt the principles of aid effectiveness as articulated in the Paris Declaration.

¹⁶¹ Cited from the Jakarta Commitment.

Under the facilitation of A4DES, the government and development partner have been collaboratively works on several issues furthering aid effectiveness. Three working groups, Monev, PFM, and Procurement have produced results that could be used by the government to further strengthen aid effectiveness. Monev Working Group, in particular has developed AIMS (aid information management systems) which is useful for enhancing accountability and transparency, as well as monitoring progress of alignment and harmonization. PFM has placed recommendation on grant mechanism that should be incorporated within the process of national and regional budget development. Under Procurement Working Group leadership several discussions with stakeholders were arranged which produced list of identified gaps within national procurement systems. Working Group on DID (Dialogue and Institutional Development) needs to complete their activities, in particular those related to enhancement of coordinated mechanism, while Working Group on CBKM (Capacity Building Knowledge Management) needs to expand its activities beyond development of South to South Cooperation mechanism to building capacity of stakeholder on aid effectiveness.

- Development partner has also placed efforts working in collaboration among themselves harmonizing their aid and adjusting their country strategic direction in effort to align with Indonesia strategic direction. Development partner has initiated several working groups, such as education, health and procurement. Development partner has also entered a joint program agreement, whereby one or more development partners provide financial support to partner in implementing development program.

Efforts from development partner have to be strengthened, if aid effectiveness should be achieved. Development partner needs to focus more resources on alignment and harmonization. In particular, development partner needs to understand more of country's systems and uses them, to place more effort reducing number of parallel PIUs and to increase number of untied aid in order to increase alignment. As for harmonization, development partner is expected to provide more assistance through program-based approach and to conduct more joint missions. On the other side, development partner encourages the government to strengthen the systems which allow aid flows through the national systems.

C.2. Implementation of Paris Declaration

- **Ownership.** Thanks to a group of relevant high ranking officers and their respective staff in Bappenas and MoF ownership has progressed positively at varying degrees. The Paris Declaration has reminded the group of the government's leadership roles and driven them to encourage the government to take proactive actions toward aid effectiveness. This enthusiasm, however, has not necessarily been fully shared by most other ministries.

The government's ownership is shown by clear RPJMN in its direction for development. Beside, RPJMN 2004 – 2009 and 2010 – 2015 used sex disaggregated and inequality data to ensure poor community in urban and rural areas benefits from development program, and women and children receive their rights.¹⁶² The current RPJMN has covered targets that each sector along with their development partners should follow and achieve. In ensuring development activities progress toward the right direction, the President launched a 100-day program demanding all ministries set development priority targets to achieve 100 days after their official assignment. This has encouraged all parties concerned and even the people at large to closely monitor the achievements made by the ministries.

The process of civil society participation in development activities has improved, since people of Indonesia enjoy their democratic environment. A combination of bottom-up and top-down approach in budgeting allows community at the village level actively participates in influencing decisions on development activities that affect them directly. As part of enhancing civil society participation in the national development, the President has taken initiative to invite development stakeholders to provide inputs to strengthen development planning. In addition to the so called *Musrenbang* (Development Planning Coordination Meeting) the President also has initiated a special meeting attended by Governors, Head of Districts and Mayors to contribute to national development planning. Another special meeting involves business community, CSOs and relevant public figures. CSOs' participation has increased with the adoption of more democratic practices in the country. Development partners highly appreciate such leadership and offer their full support. The signing of the Jakarta Commitment and active participation in the working group under A4DES activities shows development partners' commitment to advancing government ownership.

Equally important, the government is taking lead in aid coordination. Guided by Government Regulation No. 2/2006, the government lists priority development programs which require support from development partner – known as the Blue Book. The MoF and Bappenas, representing the government take lead in the processes of negotiation with each development partner, whereby the government considers as an equal partnership and is currently feel comfortable. There is indication, however, that coordination at technical ministry requires further improvement whereby staff tends to rely on development partner's support in completing necessary documents to enter aid agreement.

The government's leadership quality in coordination has improved. For example: AusAID has highly appreciated Bappenas' active participation in discussing ESSP during the design stage, and MoNE for its leadership

¹⁶² The process has been conducted long before Paris Declaration.

discussing education program in the existing Education Support Working Group. In the arrangement of loans for PNPM, the government requested development partners to support different components of the program avoiding duplication. Still, the government has not been proactive enough in leading strategic coordination and thereby used development partners' comparative advantages. The government tends to value high incentives such as low interest offered by a particular development partner compared with others' during negotiation of aid agreement.

- **Alignment.** The alignment principal to some extent has been enhanced and accelerated through the establishment of A4DES. The government has established an entry point for development partners to take active role in reviewing local systems and procedures. Under A4DES, there are six working groups whereby development partners could select to participate based on its country strategic direction and interest.

Some development partners responded positively by participating and supporting several activities of the working groups. For example: GTZ supports development of AIMS. While the process of strengthening local systems and procedures continues, several major development partners have adjusted their policy to allow using local systems and procedures. For example: AusAID applied local systems and procedures to implement community-based school construction under AIBEP. Similarly, the World Bank agreed for WSSLIC using community-based contractors to build community water supply and sanitation.

Development partners have also adjusted their foreign aid policy and program focus to align with the Indonesian government's development priorities and mode of implementation. The Government of Australia aligned its AIPCS 2008 – 2013 with the Indonesia RPJMN. As a result of consultation with the government in 2007, GTZ has shifted its development cooperation focusing on Climate Change, Private Sector Development, and Good Governance/Decentralization (in particular anti corruption).

The use of country systems (PFM, procurement and fiduciary) progress substantially, following improvement made by the government on the systems. Several development partners have conducted Indonesia's financial systems individually and used the systems. Under BEC-TF Program, the World Bank conducted assessment on PFM and provided technical assistances to improve the capacity of local government. The AusAID (2009) 2008 Annual Program Performance Report for Indonesia states that AusAID conducted an analysis of Indonesia's fund disbursement system in NTT and followed with an analysis of overarching Indonesian government systems in 2008, as a part of efforts in using the country's systems. Still, development partner requires extra fiduciary safeguards in ensuring funds disbursement and auditing the use of funds take place according to acceptable standard practices, if local systems will be used.

In making public financial management better, the government strengthened the process of foreign aid planning, approval, implementation, and auditing based on Government Regulation No. 2/2006. Led by Bappenas, regular foreign aid monitoring has been conducted involving development partners, technical ministries, the MoF, BPKP and the Central Bank. Bappenas uses monitoring results to prepare a loan performance report for the President, while the MoF produces two types of reports that quarterly report Loan and Grant and Monthly report on Government Debt Profile, in addition the MoF and BI also jointly publish monthly External Debt Statistics of Indonesia that is accessible through the web.

Despite all of the above efforts, the government feels that unlike multi-lateral's most bilateral aids still have ties with certain conditions. Some development partners place conditions in the agreement, because they are accountable to their stake holders and expect to have quality aid. Others have been using internationally accepted systems for a significant period of time. Adjusting the systems used for a particular country like Indonesia is likely to affect the development partner's aid relationship with their other aid receiving countries. Beside, adjusting their systems to the local systems and procedures also requires significant amount of resources. It may involve public debate and long processes of the development partners' parliament approval.

- **Harmonization.** Harmonization is a hard principle to implement. Every development partner has its own mission to carry out, and it may significantly different with others. Having such challenge, the current quality of harmonization could be considered as significant achievement.

Several development partners have shown their commitment and take actions to work in collaboration among their peers at program level. For example: The EU harmonized its aid with AusAID in support of ESSP, and it also channelled funds through the World Bank in support of the nation wide BOS Program and BEC-TF. ADB forms a Trust Fund in support of Citarum's project in collaboration with the Dutch Government.

Although division of labour and development partner's comparative advantages have not been conducted, donor coordination meeting and sector working group take place. This potentially facilitates more collaboration works among development partner, and agreement of common arrangements. Led by UNDP, a "donor coordination meeting" takes places in several regions harmonizing development partners operation in a particular geographical area. There are also sector working group meetings, for example, the working group on procurement in which ADB, World Bank, Ausaid and other development partners endeavour to harmonise their procurement system and procedure.

- **Development results.** Collaborative management of the monitoring and evaluation aspect of development results has not moved as expected. It progresses moderately. Generally, the government and development partner work individually. The government still focuses more on evaluating achievement of sector which takes place yearly. Development partner tends to evaluate their development programs against the programs' defined targets. In addition, monitoring of bilateral off-budget programs has been fully program focused and managed directly by the respective implementing agencies. In most cases, the contribution of program's outcome against the national targets was not assessed, mainly because of poor coordination at the implementation level and isolation (exclusion) of the program from the national program. The government and development partner need to put more efforts developing common results-oriented assessment frameworks.

A recent joint M&E between MoNE and the World Bank could serve as an appropriate sample of an improved collaborative work between the government and development partners. Both parties have developed and agreed upon a common set of development results - outputs and outcomes of BOS Program that contribute to education sector goals. As apart of the project completion report, in collaboration with the government JICA has been conducting several joint monitoring and evaluation of Japan ODA funded project in Indonesia with the government.

Poor understanding of the important of and lack of coordination mechanism and guidance on conducting a result-based monitoring appear as major challenges to the management of development results. In addition, monitoring and evaluation require significant allocation of resources. If a development program has not been design properly in utilising M&E data for improving quality of implementation or/and for program review, decision makers tend to disapprove allocation of M&E funds.

- **Accountability.** As explained previously in the ownership section, the government has opened civil society participation in all stage of development activities. By law, the national and local parliaments have been given the authority to approve and disapprove the annual national as well as regional budgets. Civil society organizations have been active in monitoring the utilization of funds and evaluate development performance against the agreed targets. Although the process remains the same, quality of participation has been improved significantly. More development programs incorporate component of community participation, and the parliament has place more concern on foreign aid management.

The government has jointly carried out monitoring of loan performance with development partner, which helps the government to present comprehensive budget reports to community and other stake holders. Whenever necessary, the government sends a reminding letter to a development partner to report the performance of their loan disbursement.

As part of improving accountability, BPK and BPKP are active in conducting development program audits. Under several aid agreements, audit of BPKP is added as an obligation for the government. Reports, resulted from monitoring and audit are available for public and accessible through internet.

Development partner shows its commitment to accountability by providing information on aid timely and accurately. Under grant funded programs, however, accountability remains low. Many of the programs have not been reported to the government. In addition, the implementing agency tends to fulfil its accountability to its country parliament and public than Indonesia. In effort to fulfil accountability to public, development partner performs similar to the government by uploading information on aid into its website. Unfortunately, those raising funds locally have not report publicly their incomes and expenditures. Accountability to parliament requires further improvement.

The many changes in government rules and regulations aimed at reducing misuse of development funds, both government and development partners' that have been introduced and put into effect have reportedly demonstrated effects that indicate the reduction of corruptive practices.

C.3. Contribution of Paris Declaration to Aid Effectiveness and Development Results

- **Achievement being made.** The Paris Declaration has obviously raised awareness among groups in the government and development partners of the importance of aid effectiveness. It places a foundation for the government and development partners for collaboratively pursue further to accomplish aid effectiveness and development results.

Some development partners have shifted their foreign aid strategic focus to correspond with the government RPJMN, reflecting their commitment to implementing Paris Declaration at institutional level. Beside, major development partners like GTZ and AusAID have been using the Paris Declaration principles in shifting their development aid strategic directions and in discussing new program designs with the government and other development partners – thus effective programs and resources allocation.

Some major development partners like AusAID, the EU, the World Bank and the Dutch Government have been working collaboratively aiming at achieving aid effectiveness. AusAID and the EU harmonized their aids in support of ESSP. Two large development partners – the World Bank and the Dutch Government are complementing each other in support of the BOS Program implementation. While the loan from World Bank is allocated for school operation, the grant from the Dutch Government is provided to support

capacity development of BOS Management in M&E, and for training and promotion for stakeholders. In addition the Dutch Government also channels its aid through the World Bank trust fund to support BEC-TF.

There is clear indication of direct contribution of the Paris Declaration, if the principles are integrated into a nation wide program. Under the BOS Program, for example, the World Bank and the government jointly assess the possibilities of bringing in other development partners to strengthen the program implementation – thus harmonizing aid. The mutual results-based monitoring framework describing the logical processes of the program contribution to sector goals helps strengthen the quality of the program implementation.

- **Value of contribution.** When integrated into national development efforts like the MDGs, Paris Declaration will have a significant and long term contribution on aid effectiveness. Major development partners like banks and UN agencies constantly become the government's partners in development activities, bringing up global issues as subject of discussion with the Government of Indonesia and work with the government in developing national program priority. They are effective institutions in assisting the government with long run impact.

For example: UNIFEM enhanced the government effort in empowering women that has started in 1978 by electing Young Ministry for Women's Empowerment. Working in collaboration with BPS, UNIFEM helped the government improving technical ministries' understanding on the need for sex disaggregated data in preparing development program and helped them in data collection from 2000 to 2005.

Since 1950, UNICEF has been paramount in promoting children's rights through development programs. UNICEF in collaboration with local CSOs champions the government in enacting Child Protection law. The organization has also been active in and persistent assisting many regional governments preparing regulation on free birth certification. UNICEF has been supporting Ministry of Women's Empowerment and Child Protection implementing *Kota Layak Anak* (City fit for Children) and corporal punishment programs ensuring children enjoy their rights.

- **Efforts toward aid effectiveness.** Despite relatively small proportion of aid in the national development program budget, aid has helped the Government of Indonesia continuously allocating appropriate quantity and quality of resources. The government received approval from ADB to implement DBEP, a strategic national education program in support of local government managing education sector, in particular primary education. World Bank approved the government proposal to finance implementation of a national wide BOS Program, and assisted the government to improve M&E system of the program, capacity building for the program's stakeholders and program

promotion through Education Dutch Trust Fund. UNICEF continuous as the government partner proving assistances on promoting child rights and reducing inequality.

Under bilateral cooperation, dialogue between the government and development partner on integration of grant funded program into national wide program tends to grow. AusAID actively involved the government and other partners discussing ESSP and took into account Paris Declaration principles in harmonizing EU and AusAID supports. AusAID redesigned LAPIS, a project for Islamic school from focus on school rehabilitation to improvement of quality of education as a result of a joint program review between MoRA and AusAID. Similarly, USAID implements DBE which aligns with the government strategy on improving capacity of local government providing quality primary education and complements to DBEP, a government program supported by loan from ADB that focuses on improving capacity of local government in managing decentralized education program. Recently, MoNE invited UNICEF discussing possibility of expanding DBEP program into areas where UNICEF operates in collaboration with the government.

Under new government, Health Ministry has arranged a dialogue with health-focused development partner that unfreezes relationship between MoH and development partner. Relationship between the government, represented by MoH and development partner has not been harmony in the last five years, because of unexpected distrust between MoH and one development partner. Development partner implemented grant funded health program almost separately from the government. Generally, development partner has been working directly with community and with limited participation of the government.

Harmonious coordination between MoH and development partner takes place where there is close and joint program mechanism. Under coordination of KHPPIA, MoH is leading in program coordination at central level. Similar coordination takes place at regional level with joint leadership between Regional Health Office and UNICEF Representative. While program implementation was conducted by regional government with technical support from UNICEF, monitoring was conducted by MoHA and Bappenas.

- **A way of making aid more effective.** A combination of A4DES and KHPPIA could be taken into account as a way of implementing Paris Declaration better and to respond the government's concern upon implementation of grant funded program. Under coordination of KHPPIA cooperation model, technical ministry is leading in program coordination at central level. Similar coordination takes place at regional level with joint leadership between Regional Office and UNICEF Representative. While program implementation was conducted by regional government with technical support from UNICEF, monitoring was conducted by MoHA and Bappenas.

One challenge resulted from such model is capacity of government representative as member of a particular Working/Sector Group to actively work in collaboration with representative of development partners in managing various programs. Another challenge, specifically resulted from A4DES model will be finding a credible Indonesian institution with capability to manage funds from various development partners. Encouragingly, the model brings representative of both parties operate under one coordination body and facilitates development of trust through regular coordination works and meetings. With appropriate government leadership, each development party could be convinced to operate in different Province to avoid inconsistency adoption of development strategy and approach within the same administrative area. Development partners will also be able to see one or more development program comprehensively – i.e. where the program is implemented, which development partners have supported the program and what gaps exist that require further support, before allocating their aid. The model would also bring up an opportunity to carry out modification of the national wide strategy and approach to fit with local exceptionality as necessary in collaborative manner avoiding rivalry among development partners for a particular development sector.

C.4. Effect of Paris Declaration Implementation

- **Management practices.** There have been some effects of Paris Declaration on loan management. The government has managed loan better. Transforming policy into practice, the government set priority of aid and places high priority development program into a “shopping list” known as “Blue Book” where development partner could select projects fit with its foreign aid strategy. The mechanism facilitates the government to have multi-year loan commitment from development partner and to predict amount of aid in a particular period of development.

Further in betterment of aid management, the government arranges a regular coordination monitoring on performance of loan with technical ministries involving development partner, Central Bank, BPKP and MoF. The monitoring allows Bappenas to monitor progress of loan absorption and to help reducing challenges affecting program implementation. In addition, MoF has been practicing regular request to development partner to submit disbursement plan and regularly report actual disbursement. Combination of the two processes allows the government minimizing risks of poor performance of loan absorption.

Many grants operate differently, specifically those implemented directly by development partner. The Government of Indonesia is very concern on such mode of operation, partly because of poor coordination among the government and development partner. Beside, such mode of operation

facilitates little learning process for the government. In several cases, it may create unintended dependency of community toward external assistance.¹⁶³ OECD reports around 18 and 24 developments partner providing grant for health and education sectors in 2008 respectively.¹⁶⁴

The government and development partner require additional resources to rearrange such grant mode of operation. This rearrangement may need new coordination mechanism at Bappenas level to monitor implementation of grant which may place additional burden to staff. Similarly, development partner require assigning staff who deals with progress of program - financially and results achievement. A new mode of cooperation has to be defined jointly by the government and development partner to response the government's concern or assessing an existing mode of cooperation, such as KHPPIA and adjust to accommodate different interests as necessary.

- **Policy reforms.** Triggered with the 1997/98 world crisis, RPJMN 2004 – 2009 states commitment of the government to reduce foreign aid and increase local support. At least, the government has enacted three regulation related to aid and effective use of aid since 2005. The Government Regulation No. 54/2005 on Regional Government Loan prohibits Regional Government to enter any agreement on foreign aid. In enhancing aid management, Ministry of Finance issued a Decree No. 447/KMK.06/2005 to place strategy of debt management and the President signed a Decree No. 2/2006 on Foreign Loan Setting. In 2006, the government enacted Government Regulation No. 39/2006 on Procedures for Controlling and Evaluating Implementation of Development Planning to ensure aid brings more benefit to people.

In line with the spirit of Paris Declaration, the Government of Indonesia has continuously placed a lot of efforts in policies and systems reform to improve aid effectiveness before signing Paris Declaration. In ensuring local systems match with international standards and in responding demand from people of Indonesia to have more transparent and accountable process of procurement, the government steadily reforming the Presidential Decree No. 80/2003 on Procurement. After undergone seven revisions, the procurement regulation is now replaced with Presidential Decree No. 54/2010. The new Decree increases the ceiling of direct appointment from Rp. 50 millions to Rp. 100 millions in response to demand of more community-based project with higher costing.

Policy reform tends to sustain, since there are still gaps between local systems and procedures with the international. For example: gaps on fiduciary systems and demand for better public financial management. This sustain policy reform is obviously adding burden to the government.

¹⁶³ Rahardjo. Budi, and Iskandar, 2008, Final Evaluation Report: CRS/ID GeMAS in Belu and TTU Districts of East Nusa Tenggara

¹⁶⁴ OECD.Stats at [www. Oecd.org](http://www.Oecd.org)

C.5. Added Value of Paris Declaration

- **Leveraging value of aid.** Situation analyses during WSSLIC design found out that aid (in the form of grant) will only benefit limited number of beneficiaries in limited geographical areas, if each development partner works in isolation. WSSLIC synergizes grant and loan, whereby grant was aimed at designing the program and testing the new strategy and approach in few provinces. Loan was made available to help the Government of Indonesia implementing WSSLIC nationally. In more promising words, WSSLIC model helps place a successful strategy and approach of a water supply and sanitation program into mainstream, and apply nation wide.

Similar operation was made by a development partner whereby programs are scattered in several regions. Harmonizing aid helps the development partner focusing its assistances in a particular regions or geographical areas minimizing duplication – thus brings benefit to more people and aid is more visible. Harmonizing aid may involve adoption of a sound and socially accepted program approach. The government and beneficiaries will have an opportunity to amalgamate the approach into local systems which enhances sustainability.

- **Accelerate process of coordination.** Paris Declaration states principles and indicators that the government and development partner should achieve. It could be considered as an instant menu where development actors could use to start dialogue. Development actors do not need to carry out any assessment to find out topic for dialogue. Paris Declaration needs only a proactive development actor to start implementing the declaration.

C.6. Key Messages for Stakeholders

- **Respect others.** Learning from past experience whereby unintended distrust emerged from partnership in development (see **Annex 5**), respecting partner is a key for achieving aid effectiveness. Respecting partner leads to open discussion which brings new initiatives in development activities and finds solutions of development challenges. Respecting partner will also tolerate differences and accommodate partner's need that that brings about mutual benefits. While aid helps recipient countries like Indonesia to achieve its national development goals, aid helps also enhance economic growth of development partner's country. Development partner should be conscious enough on the adverse impact of conditionality for aid cooperation on the recipient country, and as such should place efforts to minimize.

There are always gaps and/or different ways of managing development activities between the government and development partner, because of different social environment. Development partner usually has evolved into

stable countries with higher education community and social systems. Developing countries like Indonesia is entering transition stage from stage 1 to stage 2, whereby factor driven and efficiency driven are influencing the country.¹⁶⁵ Development partner is mostly at stage 3, innovation driven.

- **Proactive.** Proactive action is another key for ensuring coordination and dialogue take place. Accra Agenda for Action states: *“Today at Accra, we are leading the way, united in a common objective: to unlock the full potential of aid in achieving lasting development results”*. The government and development partner should transform Accra’s commitment into actions without hesitation and waiting for other to take initiative. The Government of Indonesia should, however, should lead the way – shows development partner what support that the country needs, where the most needy areas that urgently require support.

Development partner should also take proactive actions by improving coordination of the existing development program, i.e. starting from involving the government in planning for program implementation, conduct joint monitoring and eventually make program adjustment to align with the government strategic direction in a participatory mode. This approach helps gradual development of relationship at institutional down to staff level, and enhance mutual coordination in a longer term.

- **Staffing.** Competence and dedicated staff is paramount in implementing Paris Declaration. Both parties should put resources ensuring staff is available to work in collaboration toward aid effectiveness. Human resource development should cover planning on improvement of staff capacity on Paris Declaration. Similarly, staff performance appraisal includes agreed targets related to implementation of Paris Declaration between manager and staff.

C.7. Key Implications

- As explained previously, aligning procurement systems appears as a tough target. It requires significant amount of resources to achieve and involvement of high level decision makers at Headquarters level. Target under Paris Declaration is hard to achieve, unless there is a political will from development partner to adopt local systems and procedures.
- The government and development partner may face burden on allocating appropriate resources. Coordination takes two to work. For example: Accountable to public requires constant flow of information from development partner on aid disbursement to the government, which

¹⁶⁵ Schwab, K. 2010, Global Competitiveness Report 2009 – 2010. World Economic Forum, Switzerland, Geneva, 2009.

requires a significant amount of resources. On the other hand, the government needs to allocate enough resources to manage and organize the information from development partner. Without proper allocation of resources, implementation of development activities may be affected negatively. Staff needs to balance between implementing and monitoring program implementation for good results and managing information to show accountability.

- Indonesia is prone to natural and man-made disasters that affect people's lives severely. Climate changes may also have similar effect to people's lives. Together they will definitely place pressure on the government to judge between development activities and emergency response. Having limited resources, the government will continuously rely on foreign aid to response emergency needs.

Under emergency situation, aid effectiveness may be over looked to respond urgent needs of disaster victims. The government and development partner have to develop and agree on a system applicable for emergency situation in advance if both parties carry on striving for aid effectiveness.

- Paris Declaration implementation needs co-operative efforts and mutual trust between government and development partners. However, this expected behaviour does not exist just like that. Implementation of Paris Declaration nowadays shows an urgent need for more committed staff. Coordination and mutual works will not working without competence staff.

The government will suffer from deficient competence staff, if the implementation of Paris Declaration is performed by the existing staff. Staff has daily activities to conduct and program implement and supervise. There will be a conflict of interest between fulfilling of the aid effectiveness against regular activities for a certain period of time. Under the government regulation, staff recruitment requires lengthy processes.

A4DES is a good action made by the government with support from several development partners. Staff working for A4DES is not the government officer. This approach accelerating staff recruitment who helps the government implementing Paris Declaration. Still, however, requirement of competence and dedicated government officer who could intensively supports and provides guidance to the secretariat. S/he leads in identifying gaps and issues challenging implementation of Paris Declaration derived from discussion with development partner, and develop agenda for actions as guidance for the secretariat to operate.

D. Lessons Learned and Recommendations

D.1. Lessons Learned

1. Competence Staff to Implement Paris Declaration

Following Paris Declaration and Accra Agenda for Actions, the government and development partner have put efforts to achieve aid effectiveness. Much of the efforts, however, have been conducted with little strategic coordination among the two parties. Implementation of Paris Declaration requires collaboration works between two or more parties. Targets as stated in the Paris Declaration would not be achieved without collaboration works. The government of Indonesia has started leading implementation processes by transforming Paris Declaration and Accra Agenda for Action into Jakarta Commitment, and formation of A4DES. The Jakarta Commitment restated political willingness of the government and development partner toward aid effectiveness, while A4DES facilitates collaboration works.

All above international and national actions took place because of one or more group of respected persons lead the processes. It is, therefore, while A4DES was formed to facilitate collaboration works, both parties require to have staff, who values highly aid effectiveness and collaboration work.

Perkins (2009)¹⁶⁶ reminded development actors, especially the government that there have always been people taking advantages of foreign aid. Richard Dowden¹⁶⁷ in his interview with Al Jazeera Television also reminded people around capital flight from African continent because of poorly governance. The government, therefore, requires one or more group of competence staff to collaboratively work with development partner in defining gaps that need further support – thus allocating aid in relatively right strategic development program. Moreover, the government requires competence staff to ensure partnership with development partner takes place in equal relationship.

2. Learning from Practical Actions

There are four practical samples that the evaluation withdrew whereby the government and development partner could learn from to further implementation of Paris Declaration. Those are two coordination models and two development programs:

1. Aid Effectiveness for Development Secretariat (A4DES),
2. GoI-UNICEF Cooperation Program,
3. School Operational Support Program (BOS Program), and

¹⁶⁶ Perkins J. (2009) Membongkar Jaringan Kejahatan Internasional. PT Ufuk Publishing House. Diterjemahkan dari Perkins J. (2007). The Secret History of the American Empire, Economic Hit Men, Jackals, and the Truth about Global.

¹⁶⁷ Richard Dowden is Director of the Royal African Society in London. His interview with Aljazeera was cited from <http://english.aljazeera.net/programmes/general/2010/09/201091154426347265.html>

4. Water Supply and Sanitation Program for Low Income Community (WSSLIC)

A4DES and GoI–UNICEF Cooperation Program are the best sample of a model whereby several development partners harmonize their aid under a multi donor funds. BOS Program and WSSLIC could be taken as two samples of how grant and loan are harmonized in support of aid effectiveness.

The four samples are clear in their messages. They incorporate all Paris Declaration principles – i.e. facilitate harmonizing various interests, aligning different strategies and approaches into a national wide process, and defining common targets to gain accountability. More importantly, the four samples contain leadership which is paramount in ensuring all Paris Declaration principles are implemented. Using BOS Program and PNPM, **Annex 6** provides further explanation on how Paris Declaration principles have been transformed into actions in a development program. Opportunity that each sample brings in achieving aid effectiveness is discussed below.

- **Aid for Development Effectiveness Secretariat (A4DES)**

Aid Effectiveness for Development Secretariat (A4DES) is a clear example of relationship between the Government of Indonesia and development partners, which adopts Paris Declaration principles. Transforming the Jakarta Commitment's plan into practices, the Government of Indonesia established A4DES. The Government of Indonesia fully holds ownership by leading the designing and operating of A4DES with support from development partners. The Government places development partners as plenary member working in collaboration with the Steering Committee ensuring the Jakarta Commitment action plan is achieved and resources are utilized effectively and transparently (see **Figure 23**). Coordination mechanism of the Jakarta Commitment as described in **Figure 26** provides other ways for development partners to actively participate in support of achieving the Jakarta Commitment action plan.

The A4DES Structure and Coordination Mechanism, in general, enhance coordination and collaboration between the Government of Indonesia and development partners, and harmonize aid that development partners provide to Indonesia. The mechanism allows development partners to choose and support one or more activities that fit with their country strategic priorities. The mechanism also encourages development partners to understand comprehensively A4DES and its activities, before actively participate in supporting A4DES.

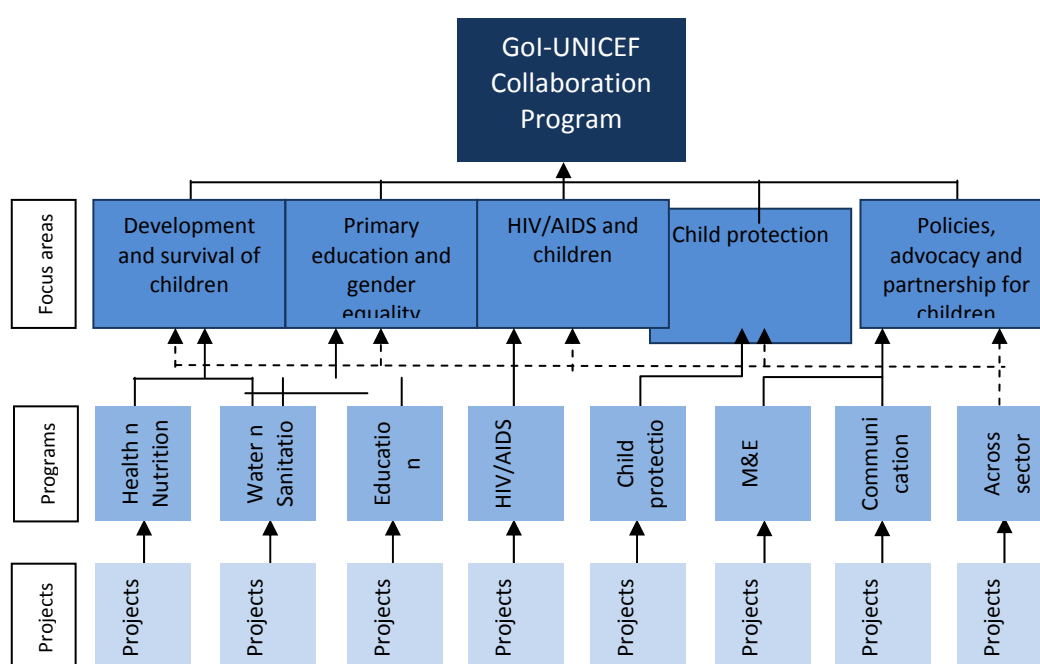
Operation of A4DES is currently supported with bilateral grant and multilateral grant through formation of Aid for Development Effectiveness - Transitional Multi Donor Funds (A4DE - TMDF). Currently, the Government of Indonesia relies on UNDP to manage and administer the A4DE – TMDF, before a credible institution with proper capacity to manage trust funds is identified. The Government of Indonesia believes A4DE - TMDF model could help aligning the

government systems and reducing number of *ad hoc* trust funds to gain effective aid in Indonesia.

- **GoI–UNICEF Cooperation Program**

Similar to A4DES, cooperation between the Government of Indonesia and UNICEF is another example of effective model of aid for development. GoI–UNICEF Cooperation has commenced since 1996, when a Basic Agreement was signed by the Minister of Foreign Affairs and the Regional Representative of UNICEF on November 17th, 1996.¹⁶⁸ At the operational level, the Government of Indonesia and UNICEF signed a five years Country Program Actions Plan (CPAP) which describes very clearly roles and responsibilities of each party, organization structure at district/city up to national levels, and program structure covering focus of cooperation, number of programs and projects (see **Figure 27**). A yearly coordination planning is arranged to translate CPAP into action plan involving all stakeholders - representative of government from district/city to national level and NGOs. An operational guidance is also developed and agreed between the government and UNICEF to organize how the cooperation should be implemented starting from planning, implementing, reporting, monitoring and financial audit.

Figure 27. Collaboration Program Structure

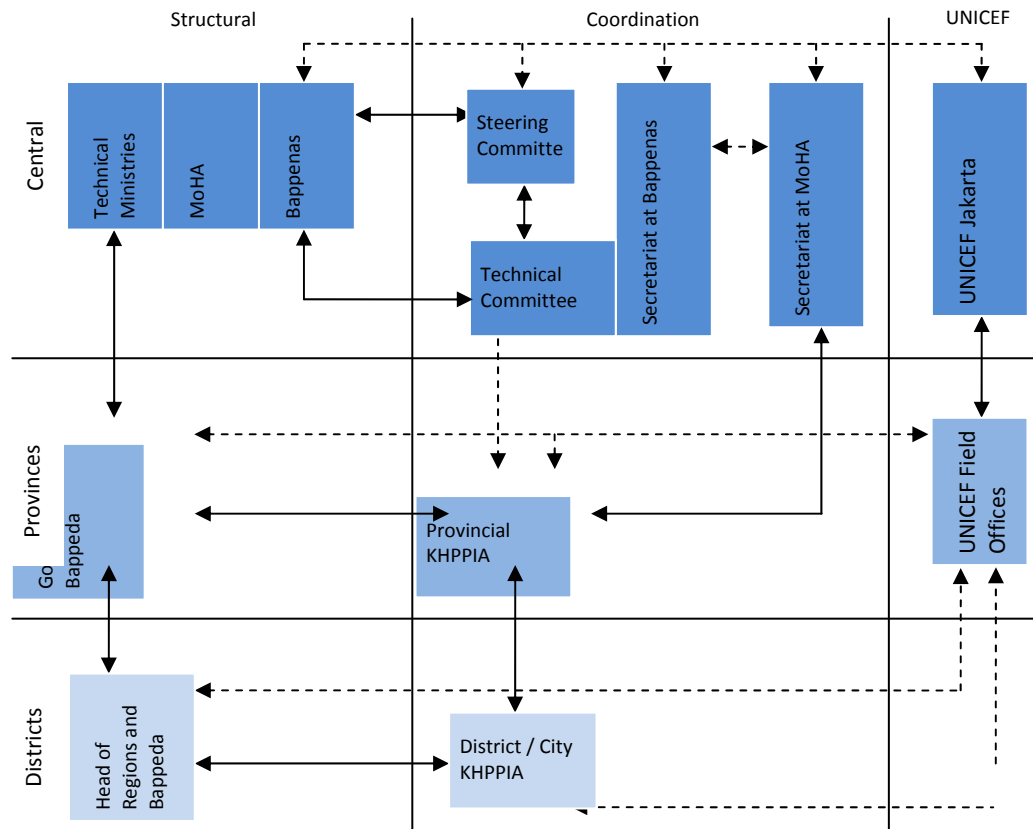


The process of CPAP and annual plan development allows the Government of Indonesia to actively shaping the UNICEF country program to align with the National and regional Midterm Development Plan (*Rencana Pembangunan*

¹⁶⁸ <http://khppia.org/index.php?hal=6&keyIdHead=2>

Jangka Menengah – RPJM). The GoI–UNICEF model also places ownership on the government’s hand, since the related government representatives at all level actively participates in the cooperation as shown in **Figure 28** and most of the project implementation is conducted by the government. UNICEF plays a catalytic role by providing necessary technical assistances and advocating child rights to enhance awareness of decision makers at parliament and government.

Figure 28. Organization Structure of KHPPIA



In term of financing, GoI–UNICEF Cooperation program provides an example of how aid from different sources is placed in one pocket and managed for development. In practice, this funding mechanism harmonizes different strategies and approaches of development partners in implementing program/project. In practice, this funding mechanism has also increased coverage of program geographical areas and/or program beneficiaries.

- **BOS Program**

BOS Program is one of several efforts that the Government of Indonesia launched to achieve education for all since 2005. Representing the government, Ministry of National Education (MoNE) performs all management requirement of program implementation – involving planning, implementation, monitoring and evaluation. As the program implementer, MoNE develops a program technical guidance and reviews every year to accommodate recommendations from

schools and other stakeholders to improve quality of program implementation. MoNE also conducts regular monitoring to ensure funds are utilized according to program design and school activity planning. Research and Development Unit of MoNE is assigned to conduct evaluation to analyze program effectiveness and to check achievement against the target.

BOS Program harmonizing aid

World Bank as development partner agreed to provide loan to the Government of Indonesia for BOS Program in 2008, three years after the program started. This brings up another model of aid effectiveness as stated by Joachim von Amsberg, Indonesia Country Director, World Bank; *“BOS is a perfect example of how government-led efforts to improve public expenditures and promote institutional change in a dynamic middle-income country like Indonesia can lead to success. With BOS-KITA, the World Bank reinforces this success by helping to fund activities that enhance educational quality such as training for teachers and more teaching materials. This investment illustrates a new approach of the World Bank: instead of financing free-standing projects, our aim is to co-finance existing priority government programs and help to improve their quality.”* In addition, the Government of Indonesia has requested the bank to assist seeking additional aid in the form of grant to conduct supporting activities as requested by the bank during loan negotiation. The Dutch Government has agreed to add USD 20 million on its World Bank managed trust funds, Dutch Education Support Program (DESP) for BOS Program. Of which USD 8.5 million was granted to MoNE to conduct nation-wide training to schools, school committees and communities on BOS and school based management.

BOS Program has been designed to place community as active program stakeholder. The program holds BOS Management at Provincial and District/City level responsible to publicly announce funds allocation in each school, and school to inform parents and school committee about the program – amount of funds received in the particular school year, how school will use the funds to support quality education. In addition, the program also establishes a complaint and handling system to allow community participate in program monitoring and report any misuse of funds. BOS Program, therefore, has incorporated accountability and transparent principle of Paris Declaration in the design. Joachim von Amsberg, Indonesia Country Director, World Bank states: *“A key element to the success of BOS-KITA is transparency: annual plans for the use of BOS funds and quarterly expenditure reports will be publicly displayed on school notice boards. The program replicates one of the most important lessons learned from the community development mechanism – namely that social pressure from informed local communities can be a positive influence on reducing corruption and the misuse of funds.”*

BOS Program helps harmonize between loan and grant from two different development partners. Such harmonization helps strengthen the program implementation by enhancing stakeholders' quality participation through capacity building and program understanding through media campaign. It also helps enhance accountability through an improved results monitoring practice.

- **WSSLIC**

WSSLIC is a World Bank funded program to provide safe, adequate, cost-effective, and easily accessible water supply and sanitation services for poor communities in underserved and un-served rural villages outside Java and for communities around a few densely populated districts in Java through sustainable and community-based arrangements. Provision of WSS, supported by essential hygiene and sanitation education, will improve the health status and productivity of the poor communities. The World Bank's interest in supporting WSSLIC was aimed at ensuring the new Rural Water Supply and Sanitation approaches were replicated on a large scale, because other donor agencies have developed and tried some successful RWSS projects, but they have remained small-scale pilot programs and have suffered from lack of replicability.¹⁶⁹

As stated clearly in the program's goal, WSSLIC was not designed to only provide water supply and sanitation facilities, but also to improve capacity of community and government officers in implementing water supply and sanitation project. In early 1990, there was not enough harmonization of strategy and approach of water supply and sanitation in the country. Each organization worked in isolation and relatively small-scale (**see Box**).¹⁷⁰ The World Bank assisted in the design by hiring a competent team with a wealth of expertise from several international and local organizations experienced in successfully implementing water supply and sanitation project. The design team worked out and tested the new approaches in six provinces involving related government institutions and the community.

WSSLIC harmonized strategy and approach of water supply and sanitation

Prior to 1980, external assistance to the rural water supply and sanitation subsector was provided by a limited number of agencies. Although a number of pilot programs produced successful results, there was no attempt to incorporate the results into a national program. There were no investment projects financed by the Bank and ADB, and all of the externally assisted projects in the past have been relatively small.

WSSLIC was designed responding to lack of common strategy and approaches for community-based water supply and sanitation. The design brought successful experience of different development actors in water supply and sanitation – i.e. AIDAB, UNICEF, UNDP, WHO, and CARE International.

The program started in 1996, and is currently in its third phase. On behalf of the Government of Indonesia, the Ministry of Health (MoH) manages and implements the program in collaboration with the Ministry of Home Affairs (MoHA), the Ministry of Public Works (MPW) and the Ministry of National Education (MoNE). A Project Implementation Completion Report produced by the World Bank rates the program outcome and borrower performance as satisfactory, while program sustainability and institutional development impact

¹⁶⁹ Paqueo, V, 1993, Staff Appraisal Report: Water Supply and Sanitation for Low Income Communities. The World Bank.

¹⁷⁰ *Ibid*

were rated as likely and modest, respectively.¹⁷¹ As an independent evaluator, the Institute for Social and Economic Research, Education and Information (*Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial – LP3ES*) stated that the program achieved almost all its target, except for the program coverage which benefited less than 80% of community members.¹⁷²

D.2. Recommendations

1. Putting Policies into Practices

There are many regulations that the government has enacted to ensure effective national development program is implemented. RPJMN has placed priority of development and underlining pro-poor, pro-growth, pro-job and pro-environment. However, national budget does not reflect strategic direction that the government placed in its RPJMN. Annual budget for health and education remains stable from 2005 to 2009 at around 2.41% and 10.38% respectively. Beside, more funds are allocated in support to operational rather than development activities.¹⁷³ This means, the government is poorly translate RPJMN into planning practices which reduces the quality of ownership as required by Paris Declaration.

The government is strongly recommended to reform its budgeting approaches allowing more funds allocated to sectors that enhance achievement of MDGs and to less developed regions or enclaves within better regions. Increased budget allocation also means increased accountability, whereby the government has to place resources to apply results-based monitoring as mandated under the Government Regulation No. 54/2006.

In 2003¹⁷⁴, UNICEF has alarmed development actors that MDGs are about children. The government and development partner, therefore, need to place resources more to fulfil children's rights. Development planning has to incorporate principles of fulfilling children's rights – the best interest of children, non discrimination and participation. Thus, development planning should highly consider also results from analyses situation of children and evaluate against fulfilment of children's rights. For example: quality improvement on health services should be measured by increased number of children accessing quality health services. Or road construction should not only be evaluated on its contribution to economic growth, but more on contribution to increased number of children going to school. A shift of budgeting paradigm to focus on children will help development activities bring more meaningful results to people, especially children.

¹⁷¹ The World Bank, 2000, Implementation Completion Report on a loan in the amount of USD 80 million to the Republic of Indonesia for the Water Supply and Sanitation for Low Income Communities Project

¹⁷² LP3ES, 2007., Final Report Rapid Assessment Against Poverty Alleviation Programmes of GoI : WSSLIC – 2 Programme and PAMSIMAS.

¹⁷³ Farhan Y, 2010, "65 tahun Indonesia Merdeka, Terancam Inkonstitusional" in <http://www.seknasfitra.org>

¹⁷⁴ UNICEF, (2003, The Millennium Development Goals. They are about Children. The United Nations Children's Fund (UNICEF), New York, 2003.

2. Strengthen National Wide Program

As previously explained, WSSLIC, PNPM and BOS Program are strong national development program within health and education sectors respectively. The government's ownership is significantly high which enhances program implementation nationally and sustainability - thus, the government willingness to continue allocating resources is high. The three programs suggest that the government and development partners need to work closely in program implementation. Aiming at aid effectiveness through alignment, development partners are strongly recommended to integrate grant funded program into regional or/and national wide program and assist the government implements the program with less assistances.

An exit strategy is strongly recommended for grant type of coordination. The exit strategy should be jointly developed and agreed by the government and development partners to put time lines for gradual phase-out of technical assistances and phase-in of the government to continue the program. The exit strategy allows the government to plan allocating sufficient human and financial resources – number of staff working as counterpart, period of involvement to allow carrier development, time for allocating budget as matching funds. It helps development partners in placing effectively its technical assistance and leveraging coverage to wider regions from limited resources.

A simple diagram of exit strategy below illustrates what program components the government will take over when aid (in particular those in the form of grant and technical assistances) phases-out (see **Figure 29**). The Diagram shows a 5-year program cooperation whereby development partner supports all the program costs in year one, and gradually decreases its financial assistances in the following years. The government actively participates in the program implementation by assigning staff as counterpart from year one, and gradually allocate budget to implement program components with technical assistance from the development partner. In year 6, the government will adopt the program and implement it in wider regions.

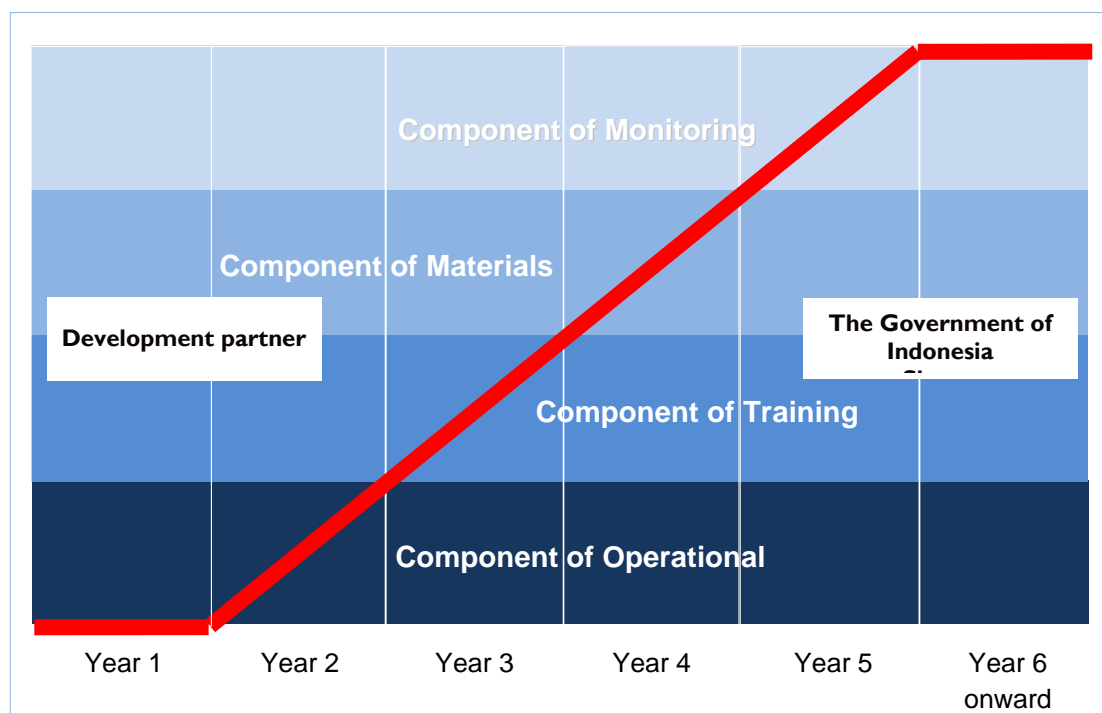
3. Reducing Number of Development Partner through Harmonization

Edi and Setianingtias (2007) states that while in principle more donors and more projects can mean more choices, it is feared that in practice it fragments the recipients' capacity to govern. The statement challenges the Government of Indonesia to choose between having more and less development partner. Harmonization is the way to solve the conflict. The government could have more development partners, but coordinate only with few development partners through aid harmonization.

The experience of Bank of Indonesia in carrying out banking reforms could be taken as a best practice. Bank of Indonesia enacted a regulation which demands banks with less than Rp (Indonesian Rupiah) 100 billion (about USD 11 million) in capital to either raise more capital or merge with healthier core banks before the end of 2010.

The government is recommended to consider the approach in harmonizing aid, thus enabling effective use of limited resources at the government side. Development partners with aid below a certain level are encouraged to harmonize its aid and operate in partnership with larger development partner(s).

Figure 29. The 5-Year Program Cooperation, Indonesia



4. Combining A4DES with KHPPIA Mode

The Government of Indonesia is strongly recommended to take into account adopting A4DES and KHPPIA models as instrument in ensuring aid effectiveness is achieved. Adoption of A4DES and KHPPIA models will help the government and development work in collaboration covering all aspects of aid effectiveness required by Paris Declaration.

A4DES model will facilitate dialogue between the government and development partner in developing common approach in development activities. This includes gap analysis on monitoring and evaluation, procurement and PFM. With strong leadership from the government, A4DES model will be able to facilitate dialogue among development partner in setting common approach to conduct shared mission strategy and necessary analytical works. If adopted, KHPPIA will help development stakeholders harmonize their development aid and synergize their resources. The Government of Indonesia, as recipient country will benefit from an increase of national program coverage and/or strengthened national program implementation that is accountable to the people of Indonesia. If adopted, the government and each development partner require one group of competence staff for each working group

to work collaboratively representing each party. The following **Table 5** lists major aspects which the government and development partner require to strengthen for furthering aid effectiveness.

There are obvious challenges, however, which the government and development partner have to deal with, if KHPPIA model is adopted as an instrument to achieve aid effectiveness:

- **Commitment across sectors.** The Government of Indonesia needs to put effort on enhancing its ownership beyond administering foreign aid, by improving capacity to develop a sound program and implement the program comprehensively. Staff of Technical Ministries and regional governments who implements development program should have better understanding on aid effectiveness. They require better understanding of results-based development programming that involve evidence-based planning and development results monitoring and evaluation – linking between project, program and sector goals.
- **Leadership.** Development activities involving many stakeholders require competent human resources who could lead and ensure coordination to take place among stakeholders - thus harmonizing resources while accommodating different interests. Sound leadership should go beyond capacity to coordinate, but it involves also capacity to see gaps or challenges and transform them into a proposed agenda for activities.

Table 5. Major aspects requiring enhancement from the government and development partner

Effectiveness principles	The government	Development partner
Ownership	<ul style="list-style-type: none"> • Allocate more funds on strategic development activities, i.e. health and education and less developed geographical areas. • Strengthen technical ministries on results-based planning. • Strengthen A4DES operation and combine with KHPPIA model. • Define national strategic development direction and integrated into KHPPIA model (if adopted). • Establish sector working groups with appropriate staffing (number and quality) to facilitate operation of KHPPIA model (if adopted). 	<ul style="list-style-type: none"> • Provide capacity building through technical assistances and grants. • Support establishment KHPPIA model arrangement which facilitates achievement of aid effectiveness. • Provide competence and dedicated staff for aid effectiveness who capable of coordinating with the government.

Table 5. Continued

The government	The government	Development partner
Alignment	<ul style="list-style-type: none"> • Continue improving national systems on PFM, procurement and fiduciary. • Enforce law on eradication of corruption. • Facilitates alignment of development partner’s strategic direction with national through KHPPIA. 	<ul style="list-style-type: none"> • Conduct joint analysis with the government and among development partner through A4DES mechanism. • Report grant to the government adopting national mechanism (SIKUBAH). • Provide more assistance to national wide program to help achievement of MDGs goals. • Conduct affirmative actions allowing wider participation of local contractors which balance economic growth of Indonesia and development partner’s country.
Harmonization	<ul style="list-style-type: none"> • Conduct development partner analysis on comparative advantages through A4DES mechanism. Thus reducing number of development partner dealing directly with the government. • Facilitate and lead dialogues among development partner on joint mission and analytical work through A4DES. • Facilitates harmonization among development partner through KHPPIA. 	<ul style="list-style-type: none"> • Conduct dialogue on harmonization through KHPPIA model. • Allocate grant through KHPPIA model, in particular to program supporting achievement of MDGs goals. Thus supporting the same development activities in the same or different geographical areas which might increases coverage. Or complement other development works to strengthen the intervention. • Reduce number of PIU.
Accountability	<ul style="list-style-type: none"> • Improve parliament involvement in the process of aid coordination. 	<ul style="list-style-type: none"> • Improve relation with parliament started with capacity building trough TA and grant. • Enforce implementing agencies (in particular for grant) to comply with Indonesia laws, i.e. report expenditures against incomes.
Development results	<ul style="list-style-type: none"> • Complete AIMS. • Facilitate development of common result-driven monitoring and evaluation systems. 	<ul style="list-style-type: none"> • Support development of AIMS. • Support development of common result-driven monitoring and evaluation systems

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Annexes

Annex 1. Organizational of the Country Evaluation of Paris Declaration in Indonesia

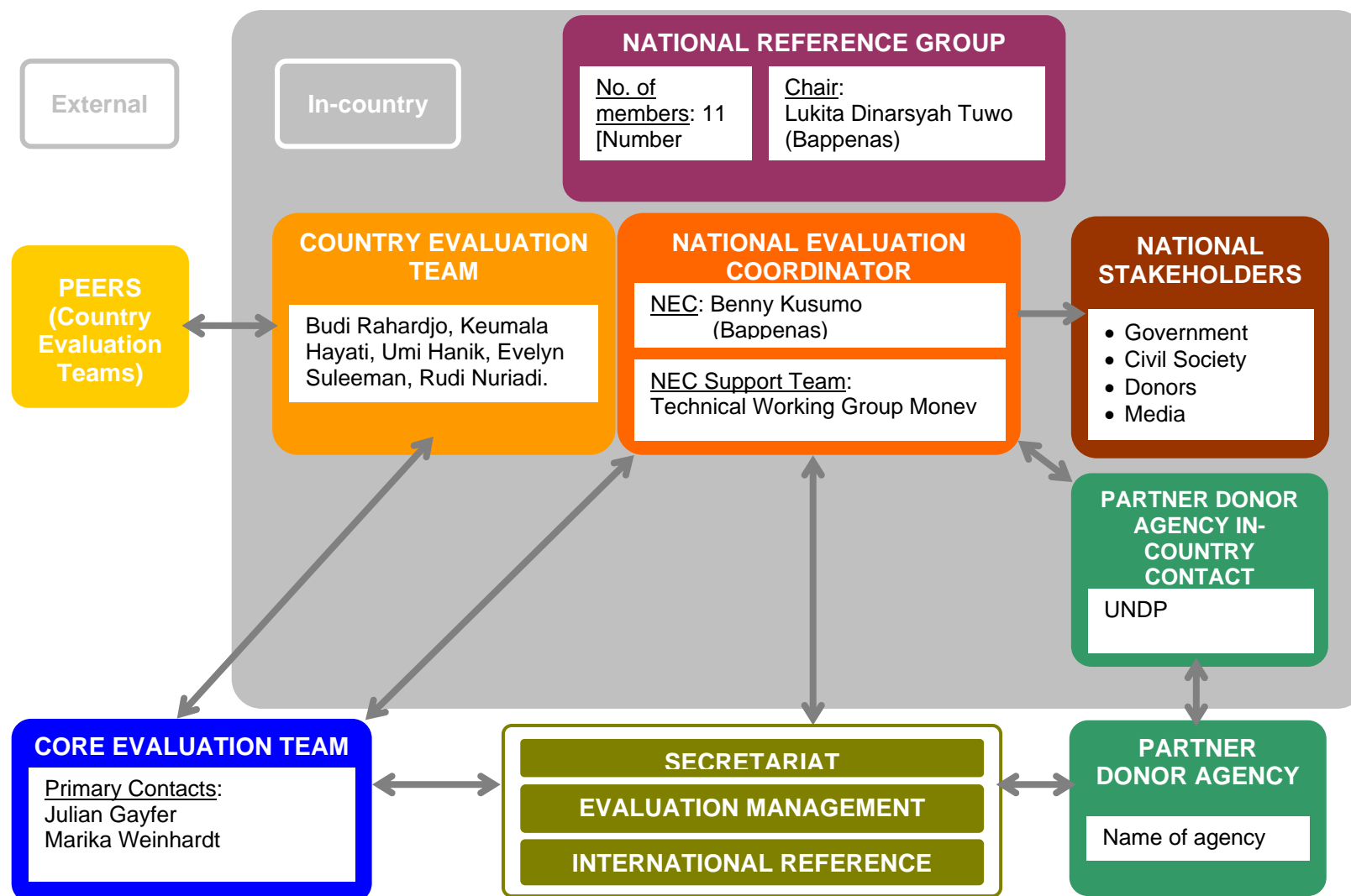
- National Reference Group:
 - Lukita Dinarsyah Tuwo, National Development Planning Agency (Bappenas) – Chair Person
 - Ministry of Finance
 - Ministry of Transportation
 - Ministry of Public Works
 - Ministry of National Education
 - AusAID (Australian Agency for International Development)
 - ADB (Asian Development bank)
 - JICA (Japan International Cooperation Agency)
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 - Keumala Hayati, Member
 - Rudi Nuriadi, Member
 - Umi Hanik, Member

Annex 2. Communication Channel of Country Evaluation of Paris Declaration



Annex 3. List of Recommended Respondents for the Survey

No.	Type of Respondents			
	Line Ministries*	Universities	NGOs	Development Partners*
1.	Public Work	University of Indonesia	INFID	WB
2.	Agriculture	Gajah Mada University	Kusuma Buana Foundation	ADB
3.	Education	Hasanuddin University	Kesehatan Perempuan Foundation	IDB
4.	Home Affairs		Indonesian Procurement Watch	IFAD
5.	Health		CIDA	JICA
6.	Finance		USAID	Australia
7.	Fisheries		CARE International	Austria
8.	Religious Affairs		Save the Children	The Netherlands
9.	Dev. of Disadvantaged Regions		Plan International	Belgium
10.	Transportation		World Vision International	China
11.	Communication and Information		UNDP	Germany
12.	State Owned Enterprises		UNICEF	Korea
13.	Energy and Mineral Resources		WHO	France
14.	National Agency for Land-Used			Spain
15.	National Development Planning Agency			
16.	National Agency for Survey and Mapping			

*) Data from the First Quarter of 2010 and the Fourth Quarter of 2009 Report on Performance of Projects Funded by Loan.

Annex 4. Summary of Findings for Core Q2.

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
A. Country ownership over development			
<p>i. Stronger national strategies and operational frameworks.</p> <p><i>Effect of PD is very little, since national development planning processes have long been adopted by the government. In addition, improvement of aid management is likely</i></p>	<p>Government lead in aid co-ordination at all levels with donors</p> <ul style="list-style-type: none"> <i>Aid co-ordination groups led by government representatives</i> 	<ul style="list-style-type: none"> Several policies and regulations support the government to lead aid coordination. Government Regulation No. 2/2006 on Aid Management places MoF, in coordination with Bappenas as the leading institution. Others do not have role in aid coordination. The regulation on Aid Management is strengthened by Government Regulation No. 54/2005 and Ministry of Finance 447 No. 6/2006. <i>(interview with Bappenas and MoF staff, and review of the regulations)</i> Coordination at technical ministries level requires further improvement. The government leads in the aid coordination is further strengthened by establishment of A4DES. <i>(Review of A4DES, 2009, Annual Report on the implementation of the Jakarta Commitment)</i> 	<p><i>Progress substantially</i></p> <p><i>(several regulations have been enacted to build foundation for better aid management and strong leadership shown by leading several working groups toward aid effectiveness – facilitated by A4DES)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p><i>enforced by the government commitment to manage aid better in 2004. Increase public participation and parliament is also strengthened by increased of democratic environment.</i></p>	<p>NDS with clear, results-oriented strategic priorities and ‘bankable programmes’ linked to MTEF or similar</p> <ul style="list-style-type: none"> • <i>MS Indicator 1</i> • <i>Linkages between NDS & annual and multi-annual budget processes</i> 	<ul style="list-style-type: none"> • NDS has been developed, comprising of long term (RPJPN) and short term (RPJMN). RPJMN is used by Technical Ministries to develop their <i>Renstra</i> which covers annual program and budget. (Review of RPJMN and interview with Bappenas staff) • RPJMN also include indicative budget and targets for each development sector. (Review of RPJMN) 	<p><i>Progress substantially</i></p> <p><i>(Current RPJMN includes targets of each sector ad indicative budget based on program planning, which is not the case for the old RPJMN)</i></p>
	<p>Increased monitoring and scrutiny through parliamentary processes of progress with the national development strategy</p> <ul style="list-style-type: none"> • <i>Dedicated parliamentary processes and records for NDS progress review debate.</i> 	<ul style="list-style-type: none"> • Parliament participates in the development activities through 5 stages of consultation. (Law No.16/2003 and 27/2009). • This covers all cycles of management – budget preparation, budget approval, program implementation, budget revision, and program completion. • There has been a growing concern around aid management within the parliament. (Review of information around concern of parliament members on aid management from local newspapers’ websites) 	<p><i>Some progress</i></p> <p><i>(Process has not been change, but more parliament members raised issues of aid management)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Fully consultative process (including civil society organisations and those representing women and excluded groups, local authorities and the private sector) in NDS development</p> <ul style="list-style-type: none"> • Clear frameworks for consultation • Range of consultations undertaken and range of actors involved in dialogue • Donor funded programmes / activity around engagement with non-state actors 	<ul style="list-style-type: none"> • The government adopts bottom-up and top-down approach in developing annual budget. The approach allows community at village level and public participate in the budget development. (Interview with Bappenas staff and review of information in www.bappenas.go.id) • The President invited private sectors and regional government separately to provide inputs in strengthening national development planning. (Interview with Bappenas staff who involved in the preparation of the events and observation of evaluation team members) 	<p><i>Progress substantially</i></p> <p><i>(The processes have not changed, but the President improves the quality of consultation by arranging a special meeting with development stakeholders)</i></p>
	<p>NDS and sector strategies respond to international commitments on gender equality, human rights, disability and environmental sustainability</p> <ul style="list-style-type: none"> • NDS has clear analytical basis which addresses gender, rights, disability and environmental sustainability • NDS based on improved information systems, including e.g. disaggregated data around e.g. gender and disability 	<ul style="list-style-type: none"> • RPJMN specifically address issues on gender, human rights, poverty and environmental. (Review of RPJMN) • RPJMN is developed using data gathered by BPS and Technical Ministries. (Review of RPJMN and interview with Bappenas staff) 	<p><i>Little progress</i></p> <p><i>(There have not been any change in the process of RPJMN development, except for shifting in the aim of development activities – from one RPJMN to the next RPJMN)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>ii. Increased alignment of aid with partner countries' priorities, systems and procedures, help to strengthen capacities</p> <p><i>PAD is likely made significant changes. More development partners involve and consult the government in developing their country strategies, and more development partner use local systems and place efforts to improve local capacity.</i></p>	<p>Overall support based on partner NDS, specific related priorities of sectoral ministries and NDS/ sector progress reviews</p> <ul style="list-style-type: none"> • <i>MS Ind 3</i> • <i>Shifts in key donor country strategies / programmes / expenditure reflect changes in government priorities (e.g. new NDS and in progress reviews) and/or related financing gaps identified by the government</i> 	<ul style="list-style-type: none"> • Several development partners, such as AusAID, USAID, and GTZ, have shifted their country strategy after having a consultative meeting with the government. (Review of information national strategy of development partner – www.gtz.de, www.indo.usaid.gov.au, and www.indonesia.usaid.gov) • Number of aid disbursed by development partner is included in annual budget increased from 70 (2008 Monitoring Survey) to 80 (2009 online survey). 	<p><i>Some progress</i></p> <p><i>(Progress takes places, in particular for involving the government in program preparation and country strategy)</i></p>
	<p>Increased use by donors/ agencies (and all vertical funds) of country systems and procedures</p> <ul style="list-style-type: none"> • <i>Diagnostic reviews on country systems / reforms undertaken</i> • <i>Rationale provided for non or limited use</i> • <i>MS Indicator 6</i> • <i>MS Indicator 5a</i> • <i>MS Indicator 5b</i> 	<ul style="list-style-type: none"> • Use of local systems increased progressively. • Several development partners have conducted review on country systems, and they have used local systems for several programs. The WB support the use of local systems for BOS Program and BEC-TF (The World Bank, 2009, Investing in Indonesia's Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.), and AusAID for construction of school and road (AusAID, 2009, 2008 Annual Program Performance Report for Indonesia) • Use of national systems – PFM and procurement system increased steadily from 2008 to 2009 as reported in 2008 Monitoring Survey and 2009 Online Survey. • Similar trend takes place for coordinated technical cooperation. (2008 Monitoring Survey and 2009 Online Survey) 	<p><i>Progress substantially</i></p> <p><i>(Major development partners have placed efforts understanding local systems, and have used the systems for several programs)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>A single framework and/or manageable set of indicators drawn from NDS and progress reviews from which donors derive their conditions</p> <ul style="list-style-type: none"> • <i>Single framework for conditions(NDS linkages) exists</i> • <i>Conditions developed transparently and in consultation with other donors / government</i> • <i>Joint indicator / conditions frameworks including disaggregated data,</i> 	<ul style="list-style-type: none"> • Development partner claims that conditions on aid have always been discussed openly with the government. <i>(Interview with development partner's staff and online survey)</i> 	<p><i>No progress</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Increased support to capacity-building of country systems</p> <ul style="list-style-type: none"> • <i>MS Indicator 4</i> • <i>Explicit objectives / strategies for capacity strengthening of partner systems within donor strategies and programmes</i> • <i>Volume / proportion of support to capacity-building of partner systems</i> 	<ul style="list-style-type: none"> • In effort toward using local systems and procedures, several development partners have placed effort assisting the government improving its capacity. • ADB has been supporting capacity building on strengthening public financial management through loan projects and accompanying TA and grants. For example: Audit and procurement through loan SCBD and STARSDP, local government finance and governance reform program. More recently, a Capacity Development TA supporting the move towards country procurement system has been approved. (Information was added by staff of the ADB during NRG meeting held from 11 – 13 October 2010) • Another capacity development TA from ADB to enhance project performance management in Bappenas is also in the pipeline for approval. • BEC-TF is another program whereby the World Bank, the Netherlands and EU place resources to improve local systems. (The World Bank, 2009, Investing in Indonesia’s Education at the District Level. An Analysis of Regional Public Expenditure and Financial Management.) 	<p><i>Little progress</i></p> <p><i>(Capacity building as a program component is not new initiative. It has been integrated into aid for considerably long time)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>iii. Defined measures and standards of performance and accountability of partner country systems in public financial management (PFM), procurement, fiduciary standards and environmental assessments, in line with broadly accepted good practices and their quick and widespread</p>	<p>Strengthened financial management capacity</p> <ul style="list-style-type: none"> • MS Ind 2 • Number of harmonised diagnostic reviews / performance assessment frameworks for PFM • Proportion of diagnostic reviews followed up. • Number and value of (joint) programmes addressing PFM / fiduciary reforms • Use of sex-disaggregated data and analysis in public financial management systems, e.g. gender audits, gender budget analysis • Use of tools such as gender audits, gender budget analysis to improve knowledge around PFM • Thematic group on PFM, procurement, and fiduciary standards set up • Number of audits of major development programmes accepted (without question) by Auditor General. 	<ul style="list-style-type: none"> • The government has enacted several legislations such as the State Finance Law, the State Treasury Law and the State Audit Law. • There have been little collaborative efforts made by the government and development partner in relation to strengthening Indonesia's systems. • Under facilitation of A4DES working group on PFM and procurement were established. • Several development partners have conducted review on national systems individually. • Use of sex disaggregated data has been introduced, mainly through leadership of State Ministry of Women's Empowerment and Child Protection. However, gender audit and gender budget analysis have not been widely practiced. • BPKP active in conducting program audit. 	<p><i>Progress substantially</i></p> <p><i>(There has not been any collaborative works between the government and development partner addressing the issues, before the Jakarta Commitment)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>application</p> <p><i>PD has contributed significant changes. Use of local systems tends to increase after inauguration of the Paris Declaration. Therefore, demand is very much influenced by the Paris Declaration.</i></p>	<p>Strengthened national procurement systems</p> <ul style="list-style-type: none"> • <i>Number of harmonised diagnostic reviews / performance assessment frameworks for procurement</i> • <i>Number and value of (joint) programmes & value addressing procurement reforms</i> • <i>Number of procurement processes where local / regional firms allowed to compete</i> • <i>Value of [% of total ODA] procurement under International Competitive Bidding / value of direct procurement</i> • <i>Thematic group on procurement, standards set up?</i> 	<ul style="list-style-type: none"> • The government continuously review regulation on procurement. There have been six reviews, since the first regulation was enacted in 1993. <i>(Review of the regulations)</i> • Joint review on procurement has been conducted by the government and development partner under facilitation of A4DES. <i>(Review of Annual Report on the Jakarta Commitment)</i> • Several development partners have initiated a working group on procurement. <i>(Interview with AusAID and ADB staff)</i> 	<p><i>Progress substantially</i></p> <p><i>(There has not been any collaborative works between the government and development partner addressing the issues, before the Jakarta Commitment. But, several development partners have used local systems)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Increased use of mutually agreed fiduciary standards</p> <ul style="list-style-type: none"> • Number of processes using internationally agreed standards or accepted best practices such as OECD-World Bank diagnostic tools and others • Instances of International community agreeing on a common standard • Number of audits of Government programmes approved by Auditor General 	<ul style="list-style-type: none"> • As a part of efforts on enhancing the systems, the Gol released a government regulation, Government Regulation No. 6/2008 on government internal control. • The new regulation on financial report also demands official traveller submits original used ticket and boarding pass, while the auditor will randomly check their validity with the airline issuing the ticket (Observation of the evaluation team members from experience providing consultancy services for government institutions, and interview with MoF staff) • BPKP has been active in conducting audit of government program, including those funded by foreign aid. For example: BPKP audit on BOS Program. (Review of information on BPKP activities in www.bpkp.go.id and personal communication with MoNE staff who involves in BOS Program implementation) 	<p><i>Some progress</i></p> <p><i>(as above)</i></p>
	<p>Increased use of mutually agreed processes to carry out diagnostics, develop fiduciary reforms and monitor implementation</p> <ul style="list-style-type: none"> • Thematic group on fiduciary standards set up? 	<ul style="list-style-type: none"> • Joint review on fiduciary has been conducted by the government and development partner under facilitation of A4DES. (Review of Annual Report on the Jakarta Commitment) 	<p><i>Some progress</i></p> <p><i>(as above)</i></p>
<p>B. Building more inclusive and effective partnerships for development</p>			

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>iv. Less duplication of efforts and rationalised, more cost-effective donor activities</p> <p><i>Although progress is relatively small. On hand, PD specifically demands development partner to harmonize its aid. Therefore, in terms of influencing decision maker PD made significant contribution.</i></p>	<p>Increased use of donor comparative advantage (relative strengths / complementarity) led by government</p> <ul style="list-style-type: none"> • <i>Clear views/ strategy by Government on donors comparative advantage and how to achieve increased donor complementarity</i> • <i>Evidence of reprogrammed aid according to statement of relative strengths</i> 	<ul style="list-style-type: none"> • The government has not conducted review on development partner’s comparative advantages. • Decision to receive foreign aid is generally determined by low interest rates. • The government also tends to rely on “Blue Book”. • <i>(Interview with Bappenas and MoF staff and review of MoF, 2010, Perkembangan Utang Negara (Pinjaman Luar Negeri dan Surat Berharga Negara). Edisi Agustus 2010)</i> 	<p><i>No progress</i></p> <p><i>(Little efforts made by the government in using development partner’s comparative advantages that lead to division of labour and development partner lead arrangement)</i></p>
	<p>Increased ‘division of labour’ at country / sector level</p> <ul style="list-style-type: none"> • <i>Mapping process conducted / maintained</i> • <i>Number and type/theme of formal Division of Labour arrangements</i> • <i>Reprogrammed aid according to Division of Labour agreements / arrangements</i> • <i>Co-operative / joint work between agencies within e.g. project modalities</i> 	<ul style="list-style-type: none"> • Division of labour has not been formally used to harmonize efforts. • Review of program activity of development partner found out that each development partner place effort to overlap one to another, although there are still potential overlaps. • Under education sector the World Bank works in collaboration with the Netherlands and EU supporting capacity of local education office improving quality of education. AusAID supports also education sector, but works closely with MoRA improving quality of Islamic schools. However, under Australia Indonesia Basic Education Program (AIBEP) Pillar II and III potentially overlap with BEC-TF supported by the World Bank. 	<p><i>Some progress</i></p> <p><i>(As above, but several development partners have worked in collaboration supporting one to another)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Increased delegation to lead donors for the execution of programmes, activities and tasks</p> <ul style="list-style-type: none"> Increased use of donor lead arrangements [e.g. 'silent partnerships'] 	<ul style="list-style-type: none"> Several developments partners have supported and strengthened others to implement development programs, i.e. the Netherlands and EU support the World Bank to implement education program (BEC-TF Program in www.web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICTEXT/INDONESIA/TXTN/), AusAID has channelled funds through World Bank for post disaster program in West Sumatera (AusAID, 2009, 2008 Annual Program Performance Report for Indonesia). 	<p><i>Some progress</i></p> <p><i>(Despite lack of direction from the government, development partner has worked among themselves harmonizing their aid)</i></p>
	<p>Reduced fragmentation, overall</p> <ul style="list-style-type: none"> % (Proportion) of donors to total volume of aid (i.e. 80% of aid provided by 20% of the number of active donors/agencies) 	<ul style="list-style-type: none"> Overall aid fragmentation reduced as indirect result relying on low interest rate. As of fourth quarter of 2010, around 76% of aid is supported by three development partners – JICA, the World Bank and the ADB. 	<p><i>Some progress, but is not a result of strategic effort toward reduction of fragmentation.</i></p>
	<p>Reduced fragmentation within sectors</p> <ul style="list-style-type: none"> Number of programmes/ projects, transactions, contracts and funding arrangements compared to the total aid volume within a sector 	<ul style="list-style-type: none"> No data 	
	<p>Increased untying of aid</p> <ul style="list-style-type: none"> MS Ind 8 See also issues raised in Untying of Aid Report (2009) 	<ul style="list-style-type: none"> Number of untying aid is relatively high. (2008 Monitoring Survey and 2009 online survey) 	<p><i>Remain the same</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>v. Reformed and simplified donor policies and procedures, more collaborative behaviour</p> <p><i>Similar to expected outcome iv. Although progress is relatively small. On hand, PD specifically demands development partner to harmonize its aid. Therefore, in terms of influencing decision maker PD made significant contribution.</i></p>	<p>Evidence of reforms and simplifications by individual donors in their own operations</p> <ul style="list-style-type: none"> • <i>MS Ind 10</i> 	<ul style="list-style-type: none"> • Only a few prominent development partners in Indonesia have conducted joint assessments. • Joint mission as an effort to improve harmonization and to reduce fragmentation remains low, while joint analytical works increased. • On aspect of analytical works, the mail survey shows that several development partners have jointly conducted analytical works. 	<p><i>Some progress</i></p>
	<p>Common or harmonised arrangements amongst donors at country level [for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating & reporting to govt on donor activities & aid flows]</p> <ul style="list-style-type: none"> • <i>Joint Assistance Strategies / plans (national and sector level)</i> • <i>Joint thematic strategies on cross-cutting issues, e.g. gender, exclusion, climate and environment</i> • <i>Use of common procedures for pledged funds</i> • <i>Shared conditions for tranche funding</i> • <i>Joint monitoring / evaluation / reporting processes</i> • <i>MS Ind 9</i> 	<ul style="list-style-type: none"> • Initiative of developing thematic working group shows that effort on harmonize arrangements takes place. • The 2009 Online Survey and 2008 Monitoring Survey found that support to PBA is relatively low, and below the target - 66% 	<p><i>Little progress</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Strengthened incentives for harmonisation, alignment and results orientation</p> <ul style="list-style-type: none"> • <i>Extent to which action plans (Partner Governments, Donors/ Agencies) developed and implemented e.g. as part of the 2003 Rome High Level Forum</i> • <i>Joint accountability frameworks featuring changed incentives, e.g. (joint) annual programme performance reviews</i> • <i>Supportive incentives in donor agency performance management frameworks</i> 	<ul style="list-style-type: none"> • No Data 	
<p>vi. More predictable and multi-year commitments on aid flows to committed partner countries. [Has the nature of conditionalities been changed to</p>	<p>Increase in proportion of aid being committed through multi-year frameworks</p> <ul style="list-style-type: none"> • <i>Number of donors setting out indicative commitments within multi-year frameworks and delivering these</i> • <i>Proportion in terms of (total volume and the number of) donors/ agencies providing indicative aid commitments 2010-2015; based on 3 year commitment, on 5 year commitment.</i> 	<ul style="list-style-type: none"> • Number of multi-years aid stable from 2007 to 2009. (Review of Report on Loan Development from 2007 to 2009) • The value, however, is relatively high – more than 60%. 	<p><i>Little progress</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>support ownership in line with the AAA commitment (para. 25)]</p> <p><i>PD has made significant effect on aspect of aid predictability and commitment to multiyear aid. Issue on gap between disbursement and schedule is not new. But PD made the government and development partner put more efforts toward improved predictable and multiyear aid.</i></p>	<p>More timely and predictable aid disbursements</p> <ul style="list-style-type: none"> • <i>Number / proportion of donors with clearly set out agreed disbursement schedules with government</i> • <i>MS Ind 7</i> • <i>Share / type of aid disbursed according to schedule</i> • <i>Proportion of Government expenditure in line with budget.</i> 	<ul style="list-style-type: none"> • Under Government Regulation No. 2/2006, each aid agreement includes disbursement schedule. <i>(Interview with Bappenas staff)</i> • Regular monitoring conducted by the government potentially reduces gap between disbursement and commitment. <i>(Interview with Bappenas staff)</i> • <i>2008 Monitoring Survey</i> found 25% of scheduled disbursements were accurately recorded. <i>2009 Online Survey</i> recorded only 25.78%. 	<p><i>Progress substantially</i></p> <p><i>Strong leadership from government in aid coordination lead to better coordination between the government and development partner. Gap on between disbursement and schedule will regularly be addressed.</i></p>
	<p>Limited set of mutually agreed conditions jointly agreed, made public and jointly assessed</p> <ul style="list-style-type: none"> • <i>Number of mutually agreed conditions made public</i> • <i>Number of joint assessments</i> 	<ul style="list-style-type: none"> • Report on status of aid published jointly by MoF and BI includes information on conditions whereby the government has agreed with development partner. <i>(MoF, 2010, Perkembangan Hutang Negara. Edisi Agustus 2010)</i> 	<p><i>Progress substantially</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>vii. Sufficient delegation of authority to donors' field staff, and adequate attention to incentives for effective partnerships between donors and partner countries</p> <p><i>PD has been used as principles that the organization should considered. However, the effect on issue of delegation of authority is still relatively small.</i></p>	<p>Increased levels of delegation to country offices</p> <ul style="list-style-type: none"> <i>Levels of decision-making authority (financial approvals, reallocating resources) of donor country offices</i> <i>Number of technical staff within country offices proportionate to donor/agency commitment.</i> <i>Number of technical staff with gender expertise working within country Field Offices</i> 	<ul style="list-style-type: none"> Most decision making within development partner takes place at headquarters, with country office backing up on technical aspects. <i>(mail survey and interview)</i> ADB plans to delegate to country office. Currently, procurement has involved country office. <i>(mail survey and interview)</i> One development partner has even moved decision making from country office to headquarters. <i>(interview with development partner staff)</i> 	<p><i>Little progress</i></p> <p><i>(Most decision making continuously takes place at headquarters)</i></p>
	<p>Increased capacity of staff in country offices to manage increased levels of delegation</p> <ul style="list-style-type: none"> <i>Frequency of staff rotation</i> 	<ul style="list-style-type: none"> In general, international staff rotates every three years and national staff's services remain longer. <i>(mail survey and interview)</i> 	<p><i>Remain the same</i></p>
	<p>Incentives for changed behaviour in line with aid effectiveness principles</p> <ul style="list-style-type: none"> <i>Donor performance frameworks (institutional and staff) for development effectiveness including references to aid effectiveness principles</i> 	<ul style="list-style-type: none"> Several development partners use Paris Declaration as operational principles. AusAID in 2008 Annual Program Performance Report, the ADB and UNFPA conducting self-assessment to review if their organization meets the Paris Declaration. 	<p><i>Progress substantially</i></p> <p><i>(The use of PD as operational reference clearly show high commitment toward aid effectiveness)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>viii. Sufficient integration of global programmes and initiatives into partner countries' broader development agendas</p> <p><i>Effect of PD on the outcome ranges from no to very little. Without PD most of global initiative program requires the government approval and involvement in the implementation stage.</i></p>	<p>Global programmes work to strengthen country policy environment / institutions</p> <ul style="list-style-type: none"> • <i>Global programmes country implementation strategies based on NDS</i> • <i>National planning / monitoring frameworks incorporating global programmes</i> 	<ul style="list-style-type: none"> • Based on review on GF for TB, Malaria and AIDS, global program aligns with RPJMN. • The government is active in the implementation during the early program round. • Transparency and accountability increased by involving other institutions than the government. The government continue active in the implementation and in selecting the implementing agency. • <i>All information was collected through personal communication with MoH and WHO staff who involved in program implementation.</i> 	<p><i>No progress</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>ix. Stronger partner countries' capacities to plan, manage and implement results-driven national strategies</p> <p><i>Although progress is relatively small. On hand, PD demands specifically good results-driven management. Therefore, in terms of influencing decision maker PD made significant</i></p>	<p>Results-oriented reporting and assessment frameworks for assessing the impact of development policies/ strategies.</p> <ul style="list-style-type: none"> • <i>MS Ind 11</i> • <i>MS Ind 4</i> • <i>Number of government plans /programmes / policies which set out clear linkages between expenditure and results over the medium term</i> • <i>Frameworks including manageable number of disaggregated indicators / for which data sources are available</i> • <i>Availability within Government of regularised socio-economic data sets</i> • <i>Use of disaggregated data (gender, excluded group) within results and assessment frameworks.</i> 	<ul style="list-style-type: none"> • RPJMN sets targets for each sector, whereby Technical Ministries use as the base for developing <i>Renstra</i> (strategic planning) covering annual programs and their budgets. <i>(Review of RPJMN)</i> • <i>Government Regulation No. 39/2006</i> places guidance for the government institutions conduct monitoring and evaluation. Article 12 states clearly that all government institutions should base their monitoring and evaluation on <i>Renstra</i> and RPJMN. • RPJMN and <i>Renstra</i> have used disaggregated data for targets and indicators of each sector. <i>(Review of RPJMN)</i> • Centre for Statistical Agency (BPS) and technical ministries publish socio-economic data yearly through survey. <i>(Review of BPS data)</i> 	<p><i>Little progress</i></p> <p><i>(Although RPJMN specifically designed for results-driven development activities and regulations has been enacted to manage results-driven development activities, assessment frameworks have not been applied nor developed to asses progress/achievement of national development strategies.</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<i>contribution.</i>	<p>Donor programming and resources increasingly linked to national level/ sector level development results</p> <ul style="list-style-type: none"> • <i>Proportion of donor country plans which specify links between expenditure and results</i> • <i>Proportion of donor results frameworks which reflect national results areas (including cross-cutting issues e.g. gender, exclusion, climate change, environment)</i> 	<ul style="list-style-type: none"> • There has not been any quantitative data that describes progress of linkage of programming and resources from development partner to national development results. • Development partner has involved the government in developing its country plan. Such improved coordination and consultation potentially enhances linkage between development partner's programming and resources to Indonesia/sector development results. • World Bank and the government have agreed to prepare a PAD (project activity document) in most of their aid agreement, which includes arrangement for results monitoring. (PAD for BOS Program) • Project Completion Report (PCR) adopted by several development partners such as JICA, AusAID and the World Bank strongly indicates that development partner uses RPJMN and <i>Renstra</i> in developing its program strategy – target and budget. 	<i>Little progress</i>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
	<p>Increased joint support (analytic and financial) to capacity development for results</p> <ul style="list-style-type: none"> • <i>Explicit objectives / strategies for capacity strengthening within the NDS</i> • <i>Explicit objectives / strategies for capacity strengthening within donor support programmes</i> • <i>Joint initiatives for capacity development</i> • <i>Number of country capacity analyses undertaken / strategies developed</i> • <i>Volume / proportion of support to capacity-building objectives</i> 	<ul style="list-style-type: none"> • The government improves further quality of statistical data by entering an aid cooperation with the World Bank to implement CERDAS(Change and Reform for the Development of Statistics in Indonesia) which is aimed at improving Indonesian policy-making process through the provision of credible and reliable statistics. The Japanese Government has contributed US\$ 1 million as grant. In web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/ 	<p><i>Little progress</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
C. Delivering and accounting for development results			
<p>x. Enhanced respective accountability of countries and donors to citizens and parliaments</p> <p><i>PD has made some effect on the achievement of accountability. Although accountability is an old issue, but PD to some extent places</i></p>	<p>Strengthened parliamentary role in NDS / budgets</p> <ul style="list-style-type: none"> <i>Regular reviews by parliament of development policies, strategies, budgets and performance</i> <i>National Audit reports on use of aid</i> 	<ul style="list-style-type: none"> Parliament possesses opportunity to review development activities through 5 stages of budgeting. (www.dpr.go.id) Accountability to public is also enhanced by active participation of BPKP. All loan agreement includes an article that general audit will be conducted. (interview of Bappenas staff) For example: BOS Program, a World Bank funded program was audited by BPKP. (personal communication with MoNE staff who involves in BOS Program implementation) BPKP also performing professional audit to DBEP, an ADB funded program (Personal communication with staff of HIS, a consultancy firm providing services to DBEP). The GFATM has been audited by Price Waterhouse-Cooper since the 1st to round 8. (Personal communication with staff of MoH who involves in the program implementation) 	<p><i>Progress substantially</i></p> <p><i>(Although the processes of parliament participation continuously using the same law, members are active in discussing issues related to foreign aid)</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p><i>indicators of change that the government and development partner could monitor.</i></p>	<p>Timely, transparent and comprehensive information on aid flows publicly available (donors)</p> <ul style="list-style-type: none"> Publicly available donor annual reports on aid flows 	<ul style="list-style-type: none"> Currently, development partners publish information regarding their aid through their websites - mostly about their development activities and partners in Indonesia. Some development partners include financial figures in their information, although limited to total amount of aid in each particular program. Unfortunately, access to financial information is not always easy and not always available within the development partner's in-country website, but linking to other websites. Under grant scheme, report on financial audits of the implementing agency still requires further improvement in the quality of public accountability. In support to their development activities, some development partners have received approval from the government to raise funds locally. However, financial report related to incomes and utilizations to public – practising good transparent public financial management, is hardly found and accessed. 	<p><i>Progress on transparency could not be judged because of lack of information on previous condition. However, the current status shows relatively comprehensive information on aid is available publicly. Unfortunately, grant has not been managed transparent enough.</i></p>

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>10b) Progress towards commitments in the Accra Agenda for Action (para. 24) on transparency and accountability for development results</p>	<p>Increasing accountability and transparency to the public for development results</p> <ul style="list-style-type: none"> • MS Ind 12 • Number of mutual assessments of ((i) General Budget Support, (ii) Sector support (iii) other programs) conducted based on country results reporting and information systems • Proportion of large Government (donor supported) programmes for which mutual assessments of an accepted quality have been completed • Number of mutual assessments which address gender and exclusion issues 	<ul style="list-style-type: none"> • Although quantitative data could not be gathered during the evaluation period, quantitative data found that substantial efforts have been made by the government in improving accountability to public. • Guided by the Government Regulation No. 2/2006, Bappenas arranges a quarterly meeting with Technical Ministries, Central Bank, MoF and development partners to monitor performance of loan. Following the meeting, Bappenas develops a report for the President and Ministries. • As an effort to improve accountability, the MoF jointly with the Central Bank (Bank Indonesia) publishes statistics of debt – called External Debt Statistics of Indonesia quarterly, from which the public could access free information through the internet. • Joint results monitoring has been conducted by the government and several development partners, although it is still considered as program focus. 	<p><i>Progress on transparency could not be judged because of lack of information on previous condition. However, efforts placed by the government and development partner are very significant.</i></p>
	<p>Supporting the strengthening of the existing international accountability mechanisms</p> <ul style="list-style-type: none"> • Number of joint reviews of existing international accountability mechanisms e.g. number of peer reviews conducted and published 	<ul style="list-style-type: none"> • No data 	

PD expected outcomes	Progress Markers Potential indicators of change/milestones	Findings (text in blue represent resources of information)	Judgement on progress, especially since 2005
<p>xi. Less corruption and more transparency, strengthening public support and supporting effective resource mobilisation and allocation</p> <p><i>Effect of PD is relatively small. Corruption is a development challenge that the government would like to eradicate. Effort has been placed long before PAD.</i></p>	<p>Greater transparency in public financial management</p> <ul style="list-style-type: none"> • <i>Records of disclosure on both sides of aid disbursements, revenues, budgets, expenditures, procurement and audits</i> • <i>Internal and external audits reporting progress on financial management</i> 	<ul style="list-style-type: none"> • Representing the government, Bappenas conducts a quarterly joint monitoring of aid with development partner, MoF, Technical Ministries, BPK, and BI. A report resulted from joint monitoring is published and accessible by public. • As external bodies, BPK and BPK are active in performing their roles. BPK has conducted financial management audit for the central government, while BPKP has been active in conducting program audit. 	<p><i>Progress substantially</i></p> <p><i>(Transparency increased since new government was inaugurated. Transparency practices improve in number and quality)</i></p>
	<p>Increased measures to address corruption</p> <ul style="list-style-type: none"> • <i>Strategies and institutional mechanisms to tackle corruption on both sides</i> • <i>Number of investigations undertaken / concluded on both sides</i> • <i>Improved systems of investigation, legal redress, accountability and transparency in the use of public funds in partner countries.</i> • <i>Increased steps by donors/ agencies to combat corruption by individuals or corporations and to track, freeze and recover illegally acquired assets from donor/ agency funded programmes/ projects.</i> 	<ul style="list-style-type: none"> • The government has placed effort to eradicate corruption since, 1971. • Efforts have been made to enforce laws without discrimination, i.e. father in-law of the President's son has been put in the custody for his involvement in misuse of funds. • The systems have has been strengthened by establishment of KPK and <i>Satgas Mafia Hukum</i>. • On the development partner's side, some have entered an agreement to eradicate corruption and establish anti-corruption unit. 	<p><i>Progress substantially</i></p> <p><i>(Effort of government continuously taken place. These include internal mechanism through Inspectorate General. But also external through BPKP and BPK. Also establishment of several agencies dealing with corruption.)</i></p>

Results in specific sectors enhanced through the application of the PD principles

- **Intended Development Result.** The health development targets in RPJMN 2004-2009 is to increase level of public health by improving people's access to health services as reflected in the indicators of impact: (1) the increase of life expectancy from 66.2 years to 70.6 years, (2) declining infant mortality rate (IMR) from 35 to 26 per 1,000 live births; (3) decrease in maternal mortality rate (MMR) from 307 to 226 per 100,000 live births, and (4) decrease in malnutrition prevalence among children under five from 25.8 % to 20.0%.

MoH developed a four pillar strategies to achieve targets as defined in the RPJMN 2005-2009, during its strategic planning development.¹⁷⁵ The four strategic pillars comprises of: 1) Mobilizing and empowering people to live healthy; 2) Increasing community access to quality health services; 3) Improving surveillance systems, health monitoring, and information; and 4) Improving health financing.

- **Interim Development Result**
 - **Promising Progress Against Sector Program Targets**

Overall, intended development results as defined by the government are achieved at a modest progress.

Increased life expectancy from 66.2 years to 70.6 years. Indonesia's population continues enjoying better lives. Based on BPS data in 2008, life expectancy in 2009 was recorded at 70.7 years. This means life expectancy target of 70.6 years in 2004-2009 RPJMN has even been surpassed. In general, female life expectancy is higher than male.

Infant Mortality Rate (IMR) reduced from 35 to 26 per 1,000 live births. Infant mortality rate (IMR) experienced only slow decrement in four years from 2004 to 2007. IDHS data in 2007 showed a one point decrease of IMR from 35 per 1,000 live births in 2004 to 34 per 1,000 live births in 2007. The figure was still significantly higher than the targeted 26 per 1,000 live births in RPJMN 2004-2009 and 23 per 1,000 live births by 2015 set in the MDG. As additional information the under-five years old/young children mortality rate (U5MR/AKBA), also decreased from 46 to 44 per 1,000 live births in 2007. Meanwhile, the neonatal (age 0-28 days) mortality rate decreased from 20 to 19 per 1,000 live births in 2007.

Reduced Maternal Mortality Rate (MMR) from 307 to 226 per 100,000 live births. MMR had decreased significantly during four years as of 2007.

¹⁷⁵ Ministry of Health Decree No. 1274/MENKES/SK/VIII/2005 dated August 17th, 2005.

Based on the results of IDHS 2007, maternal mortality declined from 307 per 100,000 live births to 228 per 100,000 live births in 2007. This figure was close to the target in the 2004-2009 RPJMN i.e. 226 per 100,000 live births. However, this figure was still quite high when compared to the MDG target of 102 per 100,000 live births in 2015. Moreover, the MDGs report issued by the UNDP and BAPPENAS doubted the accuracy of the 2007 figure quoted above (“...around the country, however, the maternal mortality ratio can be much higher especially in poorer and remote districts”¹⁷⁶).

Reduced Prevalence of Malnutrition in Children and Under Fives from 25.8 % to 20.0 % of Total Population. Prevalence of malnutrition among children under-five years of age had been reduced to 18.4% consisted of 13.0% of moderate malnutrition and 5.4% of severely malnourished (Risesdas, 2007). The figure had exceeded the RPJMN 2004-2009 target of 20.0%.

- **Sector Governance Improved / Institutional mechanisms operating effectively**

In 2005, the MoH was reorganized through the issuance of Ministry Regulation No. 1575/Menkes/Per/XI/2005 to produce an effective institution in implementing development activities under health sector. In line with the regulation, the MoH indicated the budget required to carry out development activities for 5 years and improvement in governance and institutional operations, including policy development. For this period, the increased portions of the expenditure allocation in the MoH budget mainly related to improving social welfare through better community access to quality health services.

The majority of budget disbursement during that period was directed to accelerating development efforts and construction of infrastructures for achieving better health status, consisted of among others, the following health development programs: (1) Medicine and drug and health logistics program; (2) Personal Health program; (3) Community Health Program; and (4) Communicable Disease Control and Prevention program (NK RAPBN 2011, p. IV.15). MoH’s spending from 2005 to 2010 increased at an average of 28.0% per year. The spending increased by more than tripled from IDR 6.5 trillion (0.2% of GDP) in 2005 to IDR 22.4 trillion (0.4% of GDP) in 2010.

The MoH’s spending above supported the ministry in achieving the following outputs: (1) increased coverage of *Jamkesmas*, which allowed poor community access free third class hospitalization services, from 36.4 million people in 2005 increased to 76.4 million in 2009; (2) increased

¹⁷⁶ Stalker P (2008) “Let Speak out for MDGs: Achieving the Millenium Development Goals in Indonesia”, BAPPENAS and UNDP

numbers of Community Health Centres (*Puskesmas*), from 7,669 in 2005 to 8,481 in 2009; (3) improved capacity of hospitals in health referral system, covering increased bed occupation ratio for in-patients and increased medical care facility such as operating theatres, emergency rooms, isolation rooms, blood transfusion units, medical laboratories, and increased numbers of hospital beds; (4) increased case detection rate for Tuberculosis (TB) from 58% to 73%; (5) decreased annual malaria incidence (AMI) from 18.9 per 1000 population in 2005 to 16.6 per 1000 population in 2008;

Unfortunately, there were still financial gaps that MoH had to deal with. Taufik (2009)¹⁷⁷ reported that budget for health sector accounted for Rp. 25 trillion or 2.5% of state budget in 2009, far below the 15% recommended by World Health Organization (WHO). Effective institution, therefore, has not been met as expected in the strategic planning.

The number of skill medical personnel had remained below requirement which affected achievement of development results. Sugiri Syarif - Head of National Family planning Coordinating Board (BKKBN): *“As long as Indonesia is unable to overcome the low number of births attended by medical personnel and there is still high number of early married couples and low awareness of family planning, the challenge to reduce maternal mortality is far from possibility”*. The percentage of births attended by skilled health personnel in 2008 accounted to 74.87%.

Similar effect takes place also at health care facilities (i.e. basic emergency obstetrical neonatal care (PONED) in health centres, comprehensive emergency obstetrical neonatal care (PONEK) in hospitals, village health clinic and blood transfusion units), whereby quality services in some extent could not be provided. Percentage of maternal health services was facilitated only around 46%. Poor quality of health services also resulted in low consumption of vitamin A capsules (71.5%) and iron tablets (92.2%) in pregnant women.¹⁷⁸

Taufik (2009)¹⁷⁹ further reported his findings on the case of free health treatment program for the poor. He stated that there were still many poor people who could not access health services from hospitals, because they did not have a “poor family card” issued by local authority. *Jamkesmas* program aimed at removing medical treatment costs for poor communities has not reached its target.

¹⁷⁷ <http://berita.liputan6.com/liputanpilihan/200910/248117/>

¹⁷⁸ Ministry of Health states that leading factors of high maternal mortality caused by education, culture, and economics. In addition, mother condition during pregnancy, labor, and puerperal period also affects mother and fetus mental health. UN special envoy for MDGs Nila Djuwita Moeloek stated that the problem of lag MDGs achievement should be reviewed as a single circle. She illustrated maternal mortality is closely related to geographical conditions and poverty that determine access to health services.

¹⁷⁹ <http://berita.liputan6.com/liputanpilihan/200910/248117/>

The coverage and quality of immunization as factor affecting IMR and MMR was considered low. Complete immunization coverage of children under-five increased from 51.5 % (IDHS, 2002-2003) to only 58.6% (IDHS, 2007), while measles immunization coverage increased to 76.4% (IDHS, 2007) from 71.6% (IDHS, 2002-2003). On-time immunization was still low, accounted to 54% DPT3, while measles accounted to 46% (National Immunization Coverage Survey, 2007). Dropped-out on immunization occurred for DPT1 to DPT3 was 12%.

Since first reported in 1987 the number of Persons Living with HIV (PLHIV) in Indonesia has been increasing from time to time. Although the Human Immunodeficiency Virus (HIV) country wide prevalence is still low and estimated at 0.2%, among Indonesia's 33 provinces, two provinces in the most eastern part of Indonesia, Papua and West Papua are now facing generalized epidemic status, having reached 2.4% HIV prevalence in both of the provinces.

- **Contribution of Aid**

- **Scale of Project Aid**

The OECD Statistics shows a decreasing trend of aid for health sector in Indonesia, from 2006 to 2008. The number of development partners providing grants for health also reduced, anyway, from 14 in 2006 to 11 in 2008. The total aid value thus decreased from USD 199 millions to 182 millions in 2006 and 2008 respectively (**Figure 16**). A large portion of the aid was categorised as investment project compared with sector program and technical cooperation. Possible reasons for the downward trend were global crisis and global issues, which affected development partners' foreign aid policy.

The government has reminded development partners to continue their commitments to assisting Indonesia in achieving health related goals. Vice President Boediono¹⁸⁰ in the UN high level meeting last April 2010, stated that the principle "health is an investment, not a cost" should be the benchmark of every health policy in Indonesia in reaching the goals. However, the government faced many obstacles in making appropriate investment available for health sector's need. The Government of Indonesia only provided less than 80% of the total investment required by the health sector. Thus, other external efforts are expected to consistently increasing with continuing commitment of the development partners made through ODA.

Despite a decreasing amount of aid for the health sector, the government continues its commitment implementing social protection programs aimed at reducing poverty in 2011 to between

¹⁸⁰ <http://www.depkes.go.id/index.php/berita/press-release/1091-60-tahun-indonesia-bergabung-di-world-health-organization.html>

11.5 and 12.5% from 13.3% this year. According to Lukita Dinarsyah Tuwo¹⁸¹, Deputy Chairman for National Development Planning Agency (Bappenas) one component of social protection programs is the provision of rice for poor households (*raskin*) and public health insurance (*Jamkesmas*), while two others are the Community Empowerment Program (PNPM), and Micro-Credit Funding Scheme (KUR).

- **Dialogue and Alignment**

Development partners have continued implementing their development programs in the health sector, despite poor coordination with the government. Many of them were working directly with target beneficiaries like regional governments and community groups improving capacity and provide services that the community needs. More importantly, their development programs are aligned with those of the government.

USAID implemented the Health Services Program (HSP) as its principal mechanism to provide technical assistance for improved MCH.¹⁸² The program aimed at building the capacity of local people, i.e. promoting positive health practices at the community level, improved access to quality health services in both the public and private sectors, improved capacity of health planning and budgeting, improved advocacy for MCH by civil society partners, and improved management and integration of health services. In addition, HSP assisted District Health Offices to improve the scope and outcomes of an integrated service package (ISP). The ISP focuses on interventions proven to reduce mortality, focusing on midwives, birth preparedness, essential newborn care, early and exclusive breastfeeding, prevention of postpartum hemorrhage, management of diarrhea, and hand-washing/hygiene behaviors. The USAID MCH program helped over 530,000 women safely deliver babies in the presence of midwife, provided essential care to 337,000 newborns, treated over 1 million cases of child diarrhea, provided 535,000 children under age 5 with nutrition services, and provided point of use treatment for 627 million liters of drinking water.

DFID channelled its development aid through other large development partners like the World Bank and the Asia Foundation. An evaluation conducted on 2007 found out that DFID country programs were strongly aligned to the national context, especially in health (and national targets in maternal health, TB and HIV/AIDS) and humanitarian and recovery assistance (through the government's

¹⁸¹ Jakarta Post 25 Sep 2010:
<http://www.thejakartapost.com/news/2010/09/25/govt-upbeat-2011-poverty-outlook.html>

¹⁸² Anonim (2008). MCH Program Description. Indonesia. In www.usaid.gov.

Reconstruction and Rehabilitation Agency, or BRR).¹⁸³ JICA has decided to collaborate with USAID mainly in the health sector, as USAID has a flexible organization in formulating and implementing health projects.¹⁸⁴

Global Fund (GF) supported MoH through grant to achieve selected MDGs targets. GF grant and loan was made available to support the MoH in implementing its development program to combat HIV/AIDS, Malaria and Tuberculosis. In the process, WHO and the MoH worked closely in the planning, implementation and M&E of the aid funded project. Ministry of Health told reporters in May 2010, that in 60 years WHO has contributed greatly in supporting health programme in Indonesia, especially in capacity building of institutions and health staff, in supporting national health policies as well as global commitments.

In the stage of planning and preparation of Global Fund technical proposal, the Ministry of Health and other principal recipient candidates worked very closely under the coordination of Country Coordination Mechanism (CCM) office. The CCM members come from the government, civil society organizations and partners from multilateral and bilateral development agencies, as appointed by the Ministry of Health. During an extended period (roughly around 6 – 10 months) prior to the proposal submission deadlines, alignment and harmonization of the proposed activities expressed in various proposals were discussed openly in a series of technical and financial officers' meeting. For example, during the implementation of the Global Fund Round 8 grant for AIDS, TB and Malaria Control in Indonesia for 2003 – 2010 some details were observed as follows:

- **Good dialogue in implementation.**

There was a shift in the way the government channelled its funds the Global Fund grants, upon pressures from other actors in HIV/AIDS, TB and malaria programs and the Global Fund itself. Previously the grants were managed only by the MoH as Principal Recipient (PR). After lengthy discussions, since 2009 (round 8) the funds allocated to Indonesia are channelled in multiple-streams of fund for each disease program, with selected Civil Society Organizations (Community and Faith Based Organization), Universities and National AIDS Commission assume the role of PR. The multi stream funding approach has increased the collaboration among entities in controlling the diseases. To have the expected results, the grant implementation is overseen by the LFA (Local Fund Agent, in this case Price Waterhouse

¹⁸³ Benett C. (2007). Evaluation of DIFID Country Programmes: Country Study Indonesia: 2000 – 2006.

¹⁸⁴ <http://www.jica.go.jp/english/operations/partnership/sector.html>

Cooper/PWC) and the Country Coordinating Mechanism (CCM), and annually audited by an independent external auditor.

- **Management for development results:**

Supported by the GF grant, from April 2005 to June 2010, for HIV prevention, counselling and treatment of STI (Sexually Transmitted Infection) cases were provided to 168,667 sex workers in 158 STI clinics; presumptive treatment of STI were provided to 30,567 sex workers in 3 cycles of treatment in Dec 2009 to Jun 2010. Condom promotion and distribution were also provided through participating NGOs. As prevention among IDUs, besides the distribution of needle and syringe exchange, 2,022 persons are currently on methadone maintenance treatment (MMT) in 45 clinics in 19 provinces.

During the same period, voluntary counselling and testing were provided in 278 VCT clinics in 19 provinces (160 hospitals VCT community based 118) for 441,749 peoples for early detection of HIV cases. To the reactive cases, Care, Support and Treatment (CST) were provided in 119 hospitals for 19,134 PLHA among which 13,026 are currently on treatment. For the Prevention of Mother to Child of HIV Transmission (PMTCT), 516 HIV (+) pregnant mothers were Served with ARV Prevention in 56 Hospitals and 17 Health Centres. The impact has been seen in the increasing of people still alive with Antiretroviral Therapy (ART) after 12 months treatment, from 62% among cohort group starting ART in 2006 to 67.4% among cohort group starting in 2008.

The challenges in further coming years include the scale up of prevention, counselling and testing to earlier identification of persons requiring ART, improving patient follow-up, decentralization and integration of ART within national healthcare services, developing comprehensive care systems to support patients with life-long therapy, and strengthening of patient monitoring systems to improve the delivery of care, supported by the continued external and governmental funding.

- **Conclusions**

- Looking at the way development program has been implemented, the Paris Declaration clearly has influenced both the government and development partners in a significant way.
- Despite lack of budget allocation, development results under health sector shows a steady improvement. Life expectancy increased from 66.2 years to 70.7 years. Infant Mortality Rate (IMR) reduced from 35 to 34 per

1,000 live births life, with prevalence of malnutrition in children and under-fives reduced from 25.8% to 18.5% of total population. Similar trend takes place for Maternal Mortality Rate (MMR) whereby the value reduced from 307 to 226 per 100,000 live births. However, attention must be given to the MMR achievement, since its accuracy is still doubtful and the figure may not reflect the actual condition.

Although relationship between MoH, in particular the Minister with development partner did not take place at an expected level, coordination at the implementation level took place satisfactorily. For example: USAID MCH Program coordinated closely with regional government, and MoH was an active stakeholder of GF for AIDS, TB and Malaria.

With regard to aid delivery to the health sector, it has been made efficient and managed in better way. Health sector has clear and strong development planning and results. The MoH has defined its development programs and set targets of achievement for each program in line with the capacity of the Ministry to finance. On the other hand, aid funded health related programs have aligned with the government's priority. In addition, some programs like UASID MCH Program was designed to directly help community, specifically children and pregnant mothers accessing quality health services. This helps leveraging program outputs which led achievement of development results.

Other development partners (i.e. DFID) channelled their funds through other partners taking benefit of the partners' comparative advantages – improving harmonization. Under multilateral cooperation, implementation of development programs has adopted similar approach – provides direct services to people, which also includes policy development like the case of the Global Fund. This helps improving aid management and enhances aid effectiveness.

- The above descriptions indicate that the implementation of the Paris Declaration principles has to some degree accelerated and strengthened achievement of development results.

Annex 6. Case Study 2 (Prioritization)

Help improve the prioritization of the needs of the poorest people, including women and girls.

- **Intended development results.** National RPJP 2005-2025 specifically addresses inequality in its fifth of the eight missions. The fifth mission states that development is aimed at overcoming poverty and unemployment drastically; providing access and eliminating discrimination including gender. Furthermore, the mission put two priorities. The first states achievement of quality and sustainable economic growth so that income per capita in 2025 will reach to a level of welfare equivalent to middle-income countries, with open unemployment rate of no more than 5% and the number of poor people are not more than 5%. The second priority seeks to increase the quality of human resources, including the role of women in development, and improving the quality of human resources marked by increase in Human Development Index (HDI) and Gender Development Index (GDI), as well as more balanced and proportional population growth.

During 2004–2009, some improvements had been made in the quality of human resources in Indonesia as reported in the 2009 Human Development Report (HDR). The 2009 HDR reported that Human Development Index (HDI) for Indonesia had increased from 0,711 in 2004 to 0,734 in 2007; and Gender-related Development Index (GDI) for Indonesia had also increased from 0,704 in 2004 to 0,726 in 2007. KNPP-BPS (2008) reported that Gender Empowerment Measures (GEM), measured by women participation in economy, public life and decision making, had increased from 0,597 in 2004 to 0,621 in 2007. Unfortunately, discrimination against women is still found across the country. The National Women Commission reported that until 2009, there were 154 local regulations that discriminated against women, and the number increased to 189 by the end of September 2010¹⁸⁵. Recently mass media reported that the district Parliament in Bireun, Aceh proposed to prohibit women become public figure and they asked for the immediate removal of the female Sub-district Head of Plimbang. In Jambi one parliament member proposed to carry out virginity test to all girls who register to junior and senior high school.

- **Interim development results**
 - **Generation and use of disaggregated data and analysis around poor and excluded groups, including women and girls.**
 - In most of development report, the government has used sex disaggregated data to describe disparity of gender, which is a universal issue. Recent MDGs report reflects practices conducted by the

¹⁸⁵ <http://www.voanews.com/indonesian/news/politics/Komnas-Perempuan-189-Perda-Diskriminatif.html?commentSubmitted=y&field=> (downloaded in October 9, 2010 at 10.00)

government in using sex disaggregated data. The efforts to establish sex-disaggregated data had been long done by UN agency – UNIFEM. Under the project on *Statistics on Gender Issues in Indonesia (1992-1996)*, UNIFEM supported the establishment of sex-disaggregated data in the national statistics systems, which will encourage government in using sex disaggregated data as the basis for development planning from 1995 to 2000.

- In 2006, the first report of Indonesia Country Gender Assessment (CGA) was released. The CGA was jointly prepared by development partners and NGOs¹⁸⁶ in close collaboration with the State Ministry for Women's Empowerment of the Republic of Indonesia. Initial stakeholder consultations identified four key themes for the CGA:
 - impact of the decentralization process on addressing gender issues in policies and programs at sub-national level
 - women's inadequate representation in political decision-making
 - violence against women
 - women and international migration
- Enhancing the use of sex disaggregated data, The Women Empowerment and Child Protection Ministry produced a Ministerial Regulation No. 6/2009 on Data Management on Gender and Child. Article 19 states that *“Local governments should allocate resources in their regional budget to establish gender and child data”*. Through this regulation the government expects to have increasing commitments of local government (provincial as well as district/municipality) in using data on gender and children for planning, implementing, monitoring and evaluation policies, program and activities, as well as increasing the effectiveness of gender and child's right mainstreaming.
- Gender Responsive Budgets¹⁸⁷ is an example of how sex disaggregated data is used. The Women Empowerment and Child Protection Ministry also put efforts in socializing gender responsive budgeting by providing Training of Trainers (ToT) on Gender Mainstreaming in Policy and Development Program funded by UNDP in 2006. Gender Responsive Budgeting is one of the themes discussed in this training. Some NGOs in Indonesia, supported by donor agencies, have run training in gender responsive budgeting in selected provinces, districts and municipalities as pilot projects. A number of gender focused NGOs have developed gender-responsive budget programmes.
- **Recognition of extreme poverty, exclusion and gender issues within development policy and planning.**
 - The government's recognition of extreme poverty can be clearly seen in different long term programs launched using both government's own funds, such as the shifted fuel subsidy in the form of the so called *Raskin*

¹⁸⁶ The ADB, The Asia Foundation, Canadian International Development Agency (CIDA), the National Democratic Institute (NDI) and the World Bank.

¹⁸⁷ Gender responsive budgets are attempts to break down or disaggregate the government's mainstream budget according to its impact on women and men

(Rice for the Poor) Program; and the *Jamkesmas* (Community's Health Insurance) Program. These two programs provide free rice distribution and health service including hospitalization respectively to the poor. Previously the free rice ration was distributed in the form of cash, which criticized highly as becoming a fertile seedbed for corruptions, thus transformed into the *Raskin*. Other programs include the previously described National Programme for Empowering Community (*Program Nasional Pemberdayaan Masyarakat – PNPM*) conducted since 1997 till now, which include four poverty alleviation sub-programmes namely Kecamatan Development Programme (*Program Pengembangan Kecamatan – PPK*), Urban Poverty Alleviation Programme (*Program Penanggulangan Kemiskinan Perkotaan - P2KP*), Regional Social Economic Infrastructure Programme (*Pengembangan Infrastruktur Sosial Ekonomi Wilayah – PISEW*), dan (*Program Percepatan Daerah Tertinggal dan Khusus - P2DTK*).

- Decades before Paris Declaration, Government had given attention to gender issues. Indonesia has ratified all major international conventions that uphold principles of gender equality and empowerment of women: the UN Convention of the Political Rights of Women was ratified by Law 68/1958; the UN Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) was ratified by Law 7/1984; and the Optional Protocol to the CEDAW which was signed by the Government in 2000. The country has also committed itself to acting upon the recommendations of the 1995 Beijing Platform for Action, the 2000 United Nations Millennium Declaration, and also the SCR 1325/1820 on Women, Peace and Security.
- Gender mainstreaming has been integrated in RPJMN 2004-2009 followed by RPJMN 2010-2014. In RPJMN 2010-2014 Book 2 Chapter I on Policy on Mainstreaming and Cross sector, priority on gender mainstreaming are to support the quality of life and role of women in development, and improve protection on women from violence against women. While in RPJMN 2010-2014 Book 2 Chapter II on Development of Socio-culture and Religious Life, priority is placed on increasing the capability of institutions on child protection through development and harmonization of legal documents related to child protection; increasing capacity of child protection implementation; increasing data provision on child protection; and increasing coordination and partnership among stakeholders on fulfilment of child rights.
- **Effective institutional machinery to comprehensively address extreme poverty, gender and exclusion issues.**
 - In 1978, the government began strengthening its efforts in empowering women and girls by establishing Junior Ministry for Women's Roles. The ministry has evolved into a full ministry status with broader coverage including women empowerment and protection of children, the elderly

and disabled people as stated in their organization description¹⁸⁸.

- The Fifth Five Years Plan 1989-1993 (REPELITA V, 1989-1993) stated a need to establish Women's Studies Centres at the university level as one of the program to increase women's role in development. Today, there are 116 Women Study Centres across the country at university level, public as well private.
 - In 1990, a Graduate Program on Gender Studies has been established at the University of Indonesia. Today, two more Graduate Programs on Gender Studies are offered by the Hasanuddin University - Makassar (South Sulawesi) and Brawijaya University- Malang (East Java).
 - Women and Child Empowerment Board or Offices have been established at the provincial as well as district level as an implication of the Government Regulation No. 38/2007 on Division of Governance among Central, Provincial and District/Municipality Government.
 - In 1998, *Komnas Perempuan* (National Commission on Women) was established. It is an independent body with the mandate to promote and monitor the rights of women across the country as a respond to the so-called "May Tragedy 1998" when there was mass riot, looting, and many women became target of sexual violence.
 - As a follow-up of the issuance of the National Strategy for Poverty Eradication (SNPK), a Poverty Reduction Coordination Team (or *Tim Koordinasi Penanggulangan Kemiskinan*, henceforth TKPK)¹⁸⁹ was formed and coordinated by Co Ministry of Social Welfare. TKPK complement the existing poverty reduction instruments and institutions. TKPK allows ease of coordination of the implementation of poverty reduction programs to the district level. TKPK is a substitute of an earlier body named as the Committee for Poverty Eradication (*Komisi Penanggulangan Kemiskinan*) formed in 2002.
- **Resource allocations to tackle extreme poverty, gender and exclusion issues.**
 - As a global and cross cutting issue, gender has been aligned in donors' country strategy. Development partners have integrated gender equality measures into their program. For example: CIDA and AusAID have mandated that gender equality is integrated into all programme design, implementation, monitoring, review and evaluation.
 - Other development partners, the Asian Development Bank states in its Country Strategy "In every single project design, ADB will identify every positive as well as negative impact of the project to men and women (*Strategi dan Program ADB untuk Indonesia 2006-2009*, www.ADB.org). The enhanced PRS reaffirmed gender equality as one of ADB's five thematic priorities. As women comprise the bulk of the poor in the region, the pursuit of gender equality and the empowerment of women

¹⁸⁸ <http://www.menegpp.go.id/>

¹⁸⁹ <http://oldkesra.menkokesra.go.id/>

are recognized as central to poverty reduction and for achieving the MDGs.

- PEKKA - *Program Pemberdayaan Perempuan Kepala Rumah Tangga* (Female Head of Household Empowerment Program) is a program to give female who are head of household access to resources in order to help them overcome their economic problems and trauma. It was originally developed in the year 2000, from the initial idea of the National Commission on Violence against Women (*Komnas Perempuan*). The Government will continue to support PEKKA and other organizations dedicated to reaching out to the marginalized groups in Indonesia, through the PNPM framework.¹⁹⁰
- *Program Nasional Pemberdayaan Masyarakat* (PNPM) - Designed as a national poverty alleviation program, PNPM employs an empowerment strategy and approach. As earlier quoted, PNPM is financially supported by two large development partners. With budget allocation reaching Rp 757 Million to Rp 3 Billion per sub district for 5,720 districts or 73,000 sub districts in 2009. This program at the same time addresses constraints to women's empowerment and through this, increases the effectiveness of poverty reduction efforts.
- Government efforts to mainstream gender in all sectors are reflected in the Presidential Instruction (abbreviated as Inpres) No. 9/2000 on Gender Mainstreaming in National Development Planning and Programming and its Technical Guidelines. It instructs all government head¹⁹¹ to implementing gender mainstreaming in planning, implementing activities, monitoring, and evaluation on policy and national program according to their related task and function. This has been complemented by the issuance of the Minister of Finance Decree No.119/2009 on Planning Guidelines for Gender Responsive Budgeting for seven relevant ministries and agencies to strengthen the efforts in achieving gender equality.

- **Conclusions**

- Some improvements had been made in the quality of human resources in Indonesia as reported in the 2009 Human Development Report (HDR, and Gender-related Development Index (GDI) for Indonesia had also increased from 0,704 in 2004 to 0,726 in 2007. KNPP-BPS (2008) reported that Gender Empowerment Measures (GEM), measured by women participation in economy, public life and decision making, had increased from 0,597 in 2004 to 0,621 in 2007. Unfortunately, discrimination against women is still found across the country.

¹⁹⁰ [web..worldbank.org/.../0,,contentMDK:22202412~menuPK:208943~pagePK:2865106~piPK:2865128~theSitePK:226301,00.html](http://web.worldbank.org/.../0,,contentMDK:22202412~menuPK:208943~pagePK:2865106~piPK:2865128~theSitePK:226301,00.html). downloaded October 7, 2010, 17.05

¹⁹¹ Minister, head of non-departmental government institution, Secretariat of the Supreme Leader Institute /High Country; Commander of the Indonesian National Army; Chief of Police of Republic of Indonesia; Attorney General of the Republic of Indonesia; Governors; as well as Regent /Mayor.

- Decades before Paris Declaration, Government had given attention to gender issues. Indonesia has ratified all major international conventions that uphold principles of gender equality and empowerment of women. Gender mainstreaming has been integrated in RPJMN 2004-2009 followed by RPJMN 2010-2014. Supported by UNIFEM, the government established sex-disaggregated data in the national statistics systems (1992-1996). The first report of Indonesia Country Gender Assessment (CGA) was released.

The government's recognition of extreme poverty can be clearly seen in different long term programs launched using both government's own funds, such as the shifted fuel subsidy in the form of the so called *Raskin* (Rice for the Poor) Program; and the *Jamkesmas* (Community's Health Insurance) Program. Other programs include the previously described National Programme for Empowering Community (*Program Nasional Pemberdayaan Masyarakat – PNPM*) conducted since 1997 till now.

- As a global and cross cutting issue, gender has been aligned in donors' country strategy. Development partners such the World Bank and ADB have integrated gender equality measures into their program. This suggests development partner is continuously allocating funds on gender and poverty issues.
- The above facts imply that there have been constant efforts made by the government in ensuring disadvantages groups benefit from development activities. Efforts have not only been focused on policy development but, includes also capacity development in gender-based management program (covering planning to monitoring and evaluation) and implementation of nation wide program that benefit women directly such as PEKKA and PNPM.

Continuous effort of the government prioritizing disadvantage groups is also reflected in the continuous enactment of regulations. For example: Presidential Instruction (abbreviated as Inpres) No. 9/2000 on Gender Mainstreaming in National Development Planning and Programming and its Technical Guidelines. This has been complemented by the issuance of the Minister of Finance Decree No.119/2009 on Planning Guidelines for Gender Responsive Budgeting.

The government also allocate significant amount of funds to improve quality of woman and girls and alleviating poverty. PEKKA - *Program Pemberdayaan Perempuan Kepala Rumah Tangga* (Female Head of Household Empowerment Program) was launched in 2000, and has been evolved into PNPM. PNPM is financially supported by two large development partners. With budget allocation reaching Rp 757 Million to Rp 3 Billion per sub district for 5,720 districts or 73,000 sub districts in 2009.

Development partners have definitely made significant contributions in improving focus of development activities on disadvantaged groups. Some development partners, like UNIFEM and UNICEF have been working with the government for a long time and aligned their programs with the government's development priorities – thus continuous dialogue with the government. Similarly, the World Bank and ADB have been harmonizing their aid supporting PNPM, a national program targeting disadvantage groups.

Programs were supported by more competence institutions at central and regional level. A Junior Ministry for Women's Roles was established in 1978, to strengthen efforts in empowering women and girls. This was followed with establishment of Women's Studies Centres at the university level, which now accounted for 116 Women Study Centres across the country at university level, public as well private. In 1990, a Graduate Program on Gender Studies has been established at the University of Indonesia. Today, two more Graduate Programs on Gender Studies are offered by the Hasanuddin University - Makassar (South Sulawesi) and Brawijaya University– Malang (East Java). Women and Child Empowerment Board or Offices have been established at the provincial as well as district level. In 1998, *Komnas Perempuan* (National Commission on Women) was established. As a follow-up of the issuance of the National Strategy for Poverty Eradication (SNPK), a henceforth TKPK was formed and coordinated by Co Ministry of Social Welfare.

- Judging from the continuing collaborative efforts made by the government and development partners, the implementation of Paris Declaration clearly has generated effects in improving the government's effort in prioritizing disadvantages groups in development activities. When concrete results beyond policy are taken as the basis for judgment, the implementation of Paris Declaration does not seem to have affected much the improvement of disadvantaged groups (especially women) prioritization. Despite constant effort made by the government and development partners, there are still many reported discriminating practices against women.

Annex 6. Matrix Characteristic of BOS Program and PNPM Mandiri in relation to Paris Declaration Principles

Paris Declaration Indicators		BOS Program	PNPM Mandiri
Ownership			
1	Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions.	<ul style="list-style-type: none"> MoNE has been implementing BOS Program nationally to support achievement of education for all. The program was designed by the government and implemented nationally. 	<ul style="list-style-type: none"> Menkokesra has been implementing PNPM Mandiri Program nationally as a vehicle to reduce poverty. The program was designed by the government and implemented nationally.
Alignment			
2	Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems.	MoNE and World Bank mutually agreed on mechanism of transparency and accountability with development partner.	Menkokesra mutually agreed on mechanism of transparency and accountability with development partner.
3	Aid flows are aligned on national priorities – aid flows to the government sector that is reported on partners’ national budgets.	Supporting BOS Program means World Bank has aligned its support to national development strategy.	Supporting PNPM Mandiri means Development Partners have aligned its support to national development strategy.
4	Align their analytic and financial support with partners’ capacity development objectives and strategies.	Using funds from the Dutch Government, World Bank conduct capacity development on Monitoring and Evaluation System, Complaint Handling System, training for program’s stake holders and program promotion for public through media.	Government and donor staffs work together to plan program design and allocate program budget.
5a	Use of country public financial management systems		
5b	Use of country procurement systems – donors and aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	MoNE continuously analyses public financial management and procurement systems and place necessary adjustment. World Bank agreed to use the improved country system.	
6	Strengthen capacity by avoiding parallel implementation structures.	Channeling development aid through World Bank Trust Fund means avoiding parallel implementation structures.	Use of regular planning meeting (musrenbang); one facilitator for all program in sub district level; one program for one village.
7	Aid is more predictable – Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.		

Paris Declaration Indicators		BOS Program	PNPM Mandiri
8	Aid is untied – Percent of bilateral aid that is untied.		
Harmonization			
9	Use of common arrangements or procedures – aid provided as programme-based approaches.	The Dutch Government agrees to use common procedures that World Bank adopts in support to BOS Program.	Supporting different PNPM components, each development partner uses common procedures mutually agreed by the government.
10	Encourage shared analysis – Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	The Dutch Government uses results from analyses conducted by World Bank to see gaps that require support.	Joint supervision mission conducted by donor and government.
Managing for Results			
11	Managing resources and improving decision-making for results.	MoNE and World Bank have agreed on a performance results framework and monitor progress against the agreed indicators.	Government and donor staffs work together to plan program design and allocate program budget.
Mutual Accountability			
12	Donors and partners are accountable for development results	MoNE has opened opportunity for wider stake holders (i.e. school committee, parents and public) participate in program implementation enhancing quality of accountability.	Government and donor staffs ensure the progress will achieved the target and implemented as already planned.